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ABSTRACT

The Institute of International Education outlines the forces behind the new wave of international cooperative ventures in higher education and the challenges they pose through a systematic focus on the Japan-United States transactions. Focus is placed on two prototypes: (1) U.S. accredited institutions setting up a cooperative venture in Japan to offer U.S. accredited courses, and (2) Japanese institutions setting up either a cooperative venture or an autonomous institution in the United States to offer courses that will receive credit in Japan. Chapter 1 describes differences in beliefs which can lead to reactions of dismay and resistance for these new cooperative ventures. Chapter 2, in tracing the evolution of the new ventures, points to their positive elements as well. Chapter 3 discusses some of the typical problems that emerge during negotiations. Chapter 4 examines the performance to date of these institutions in realizing their educational objectives. Chapter 5 takes up issues concerning the use of public resources and the protection of public purposes in higher education. Chapter 6 reviews of the accreditation process as it applies to international cooperative ventures. Chapter 7 offers some reflections on the challenges posed by the new arrangements. Contains 94 references. (GLR)

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IIE Research Report Number Twenty

profiting from education

JAPAN–UNITED STATES INTERNATIONAL EDUCATIONAL VENTURES IN THE 1980s

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Introduction

In view of the increasing interconnectedness of the modern world, an important concern for many higher-education institutions during recent decades has been to develop a more international outlook, through "internationalizing" the curriculum, sending students abroad for study and receiving foreign students, and encouraging faculty to engage in cross-national research projects and consulting. Until recently, these activities have been arranged so as to preserve the integrity of the participating institutions, and most of them have been favorably received.

But from the late seventies, a fundamentally new wave of international activity has emerged which will be referred to in this study as the formation of "cooperative ventures." In such ventures, an institution (usually of higher education) in one nation seeks to expand its international activities through obtaining either a partial or a controlling interest in a foreign higher-education institution. In some instances, the respective institutions are balanced in quality and purpose. More often, one of the institutions brings a particularly valued asset, such as financial capacity, while the partner offers special educational capabilities and/or its official claim to accreditation. These ventures are cooperative in the sense that it is virtually impossible for them to be consummated without the mutual agreement of both parties.

The number of higher-education institutions touched by this new wave has rapidly increased. American institutions initiated the wave by forming international cooperative ventures in Southeast Asia. But from the early eighties the Americans have turned to the much larger and presumably more profitable Japanese market. Soon Japanese educators and entrepreneurs began to reciprocate with feelers for cooperative ventures on American soil.

"Profit" in the rhetoric of these innovators has multiple meanings. As educators, they seek to develop new arrangements that will enrich opportunities for education and related experiences consistent with the emerging Trans-Pacific economic order. Thus, one meaning of profit is the enhancement of mutual understanding by young Japanese, Americans, and others who will be involved in building a new fabric of international relations. As entrepreneurs, these same innovators sense that the level of interest in such opportunities will make them highly attractive, bringing in new groups of students and new revenues. Profit may also emerge from side developments, such as the establishment of sister city relations or new business

opportunities. Therefore, much is expected from these new cooperative ventures.

This study seeks to outline the forces behind the new wave of "international cooperative ventures" in higher education, as well as the challenges they pose, through a systematic focus on the Japan-United States transactions. Broadly, two prototypes provide focus for the study: (1) U.S. accredited institutions which set up a cooperative venture in Japan to offer U.S. accredited courses, and (2) Japanese institutions which set up either a cooperative venture or an autonomous institution in the United States to offer courses that will receive credit in Japan. All together there are over 100 documented attempts, of which approximately 30 have moved beyond the contract stage to some level of performance.

The actual cases, many of which will be discussed in detail in this report, manifest interesting deviations from the basic prototypes. For example, the U.S. institutions in Japan are seeking not only to provide U.S. accredited courses there, but also to have these courses recognized for Japanese degrees. Similarly, Japanese programs in the United States are seeking U.S. accreditation. In other words, there is entrepreneurial pressure toward a blending of the prototypes. But so far, none of the cases has truly realized double accreditation, and thus, the two prototypes provide a useful point for organizing our discussion.

The new ventures have many admirable features. They illustrate the remarkable vigor of the respective higher-education systems; they have provided a new model for internationalizing higher education; and they have made leaders in both national systems aware of emerging needs and possibilities for international alliances in higher education and other areas. Unlike earlier waves of international education, however, the new cooperative ventures at times provoke reactions of dismay and resistance. **Chapter I** describes an atmosphere of differences in beliefs which can lead to such reaction. **Chapter II**, in tracing the evolution of the new ventures, points to their positive elements as well.

But as the case examples will indicate, these ventures often lead to difficulties and disappointments. The two nations have different assets and objectives, and they are acquainted with different laws and regulations. It is not surprising that the negotiation of arrangements between their higher-education institutions can lead to misunderstandings. **Chapter III** discusses some of the typical problems that emerge during negotiations.

Chapter IV examines the performance to date of these institutions in realizing their educational objectives. Especially in the case of the American institutions in Japan, there are major disappointments. While many of the institutions originally had proposed a Japanese cooperative venture so that students from their home campus could go to Japan, they generally have failed to place American students in Japan. The educational programs developed by these institutions specifically for Japanese students have often failed to stimulate sufficient learning among the students, leading the Japanese public to question their longstanding belief that American higher education is better than the Japanese version.

Chapter V takes up issues concerning the use of public resources and the protection of public purposes in higher education. Many of the partnerships have not fully considered the political, legal, and tax-related issues U.S. institutions encounter when they enter into cooperative ventures involving private interests. **Chapter VI** concludes the descriptive portion of this study with a review of the accreditation process as it applies to international cooperative ventures. Essentially, we find that current procedures do not apply.

The study concludes in **Chapter VII** with some reflections on the challenges posed by the new arrangements. Two broad issues are raised: (1) Are the educational programs offered by some of these ventures below acceptable standards? (2) Could the manner in which the ventures are being established damage the integrity of higher education in the two nations? We propose strategies for addressing these important issues in both nations.

The two principal authors of the study came to it from different disciplines and with different concerns. Gail S. Chambers, an educational economist at the University of Rochester who specializes in higher education finance, became interested when she saw the nervous reaction of Americans to Japanese proposals for cooperative ventures in the United States: Why were these reactions so different from the usual ones found in negotiations for cooperation or control? William K. Cummings, a sociologist at the Harvard Graduate School of Education who is also director of the Office of International Education there, became interested as he heard a number of disturbing stories about the American ventures in Japan: Did the Americans know what they were getting into? Under the coordination of the Institute of International Education, research funding was obtained from the Japan - United States Friendship Commission, which perceived that the development of these new cooperative ventures had significant bearing on the binational relationship. The United States-Japan Foundation provided support for the publication and dissemination of research findings.

Given the importance and urgency of the issues, it was decided to complete the research in the brief period of six months. With the guidance of the Institute of International Education and an able advisory board, and with the help of Elinor Barber, then IIE's director of research, the researchers formulated a program of data collection and field work that led to confirmed case material on over 100 potential cooperative ventures. Elena La Placa provided crucial editorial and administrative support. This report builds on the case material and on discussions with a large number of educators in both countries. We are especially grateful for the many courtesies and scholarly assistance provided to us in Japan. While there are doubtless many shortcomings in the report, it is our hope that it will provide a useful resource for the positive thinking needed to nurture the new wave of cooperation in international education.

I.
Taking "American" Higher Education to Japan and Vice Versa

Over the past decade a new wave of educational exchange has moved to center stage in the U.S.-Japan educational relationship. For centuries, ambitious students have traveled to other nations while the universities stayed at home. Now the universities are also traveling.

Since 1980, over 100 American universities have sent teams to Japan to explore the establishment of branch campuses there, and a number of institutions have actually begun operations in Japan. Temple University was the first, recognizing on its own initiative the prospect of providing a unique, quality, graduate-level program in English as a Foreign Language for the rapidly expanding occupation of English-language teaching. Later the Temple program expanded to the undergraduate level and a broader band of graduate activities. Others have followed the Temple example. More recently, a large group of American university representatives visited Japan at the urging of a joint U.S.-Japan trade expansion effort directed initially by Representative Richard Gephardt and Diet member Susumu Nikaido.

During this same period, upwards of 120 Japanese educational groups have expressed interest in launching new educational ventures overseas, some of which would involve mergers with, or the purchase of, existing American institutions. Showa Women's college has set up a branch campus to run its own international program in the suburbs of Boston; students are allowed to audit courses at nearby universities. Asia University has followed a more conventional pattern through establishing relations with Western and Mountain state universities that enable over 800 Asia University students each year to spend a semester on U.S. campuses. In several instances, the initial Japanese interest in setting up a Japanese controlled activity in the United States has eventually taken a different direction. For example, Kyoto Senmon Gakko and its affiliates initially set out to establish a Japanese university in the United States but eventually decided to support the creation of an American university in Japan. Thus, Phillips University in Japan was established by inviting Phillips University of Oklahoma to send a team to supervise a Japan-based program of "American-style" U.S.-accredited collegiate education. In sum, within the new wave there are a variety of patterns in both nations.

In expansionary periods such as the 1960s, we might have been less surprised at this keen interest in establishing overseas campuses. Why are there so many overseas initiatives today, at a time when comparatively few domestic institutions are being established either in Japan or the United States? In the account that follows, we will provide answers to this question. As a prelude, we might note that there are several explanations, each with its special complications. Some reflect positive impulses to provide new educational opportunities and approaches. Others reflect a desire to avoid established rules and accreditation procedures. The new wave raises questions that deserve the sober attention of international educators.

The Socioeconomic Environment

Before turning to the educational aspects of this new wave, several developments shaping the environment for these new ventures deserve mention:

1. Japan as Number One. Perhaps the most fundamental development is the rapid emergence of Japan as a world economic power rivaling the United States and Western Europe.

Directly related to the new higher-education cooperative ventures is the extraordinary increase in the volume of trade and investment between the United States and Japan. Japan has moved past Western Europe to become the largest U.S. trading partner, and Japan's share of foreign investments in the United States is rapidly expanding. This increased volume of economic activity has made the leaders of both countries recognize the critical necessity of knowing more about each other.

Japan's miraculous growth has also helped stimulate the economies of most Asian nations as they have engaged in the exchange of raw materials and products with Japan. Most notable has been the emergence of newly industrialized countries such as South Korea, Taiwan, Hong Kong, and Singapore. The economies of Thailand, Malaysia, and Indonesia also are showing impressive vitality. As these economies progress, their demand for greater knowledge of Japan and of the United States has increased.

These recent developments have led some observers to suggest that the focal point of world economic activity in the twenty-first century will shift from the Atlantic Community to the Pacific Rim Community.

2. Internationalization. Appreciating the significance of recent economic trends, Japan's leaders with increasing frequency express the importance of internationalizing Japanese society. While the precise meaning of this idea can never be pinned down, it reflects a sense that Japanese ways will have to change if the small island nation is going to continue to fare well economically. The Japanese economic miracle has been achieved through extensive marketing of mass-produced goods in overseas markets. But Japanese leaders sense that in the future, the nature of international interaction will become more complex, requiring new international skills. Hence, there is an inchoate but strong urge to broaden the Japanese perspective, by whatever means.

The concern for internationalization already has had a major impact on Japanese education. In the early seventies, the Japanese government began an ambitious program to establish cultural offices abroad and promote the teaching of Japanese in foreign countries. And in the mid-eighties, the government announced a bold new policy of inviting large numbers of foreign students to Japanese universities. Also, under the Japan Exchange and Teaching Program (JET), since 1987 several thousand young people have been invited to serve as English language teaching assistants in Japan's secondary schools. Parallel with the effort to bring foreigners to Japan is the increasing number of Japanese who go abroad to work in the offices of Japan's multinational corporations. The overseas Japanese community's demand for schooling led first to a series of government sponsored schools and subsequently to a number of privately established schools. Thus, even prior to this new wave of establishing overseas universities, several Japanese educational groups had acquired extensive experience in the establishment of other types of overseas schools. The publicity surrounding their overseas ventures has had a profound impact in spreading the popularity of internationalism in the Japanese educational community.

3. The Japanese Search for Investment Opportunities. Economic growth in Japan has built up a tremendous capital surplus that is leading Japanese entrepreneurs to search for new investment opportunities. Especially in the case of Japan, investment in education and research exerts a strong attraction. Research is viewed as yielding long-term returns. And, as we will see when we turn to higher education, establishing colleges is often viewed as yielding short-term returns.

4. The Strong Yen. Since the mid-seventies, the Japanese yen has steadily appreciated relative to foreign currencies, thus enhancing the overseas purchasing power of Japan. In 1986, the yen sharply appreciated from 240 yen to 120 yen to the dollar. (By 1990 the yen had modestly depreciated to fluctuate between 140 and 155 yen to the dollar.) With a virtual overnight doubling of the yen's strength, foreign investments suddenly looked immensely more attractive.

5. Depopulation of Japan's Rural Areas. An important demographic concern in Japan is the flight of young people from many of the isolated rural prefectures (Japan's states) to the bright lights and lucrative jobs of the large metropolitan areas. To slow this pattern of depopulation, leaders in several rural prefectures have come upon the idea of setting up new universities in their prefectures to broaden the opportunities for their young people. Although Japanese universities might be the first choice for these prefectures, many have been unable to attract local institutions. Hence their interest in foreign institutions.

6. Shifting U.S. Regional Economies. While Japan's economic development has tended to concentrate in its established urban areas, growth in the United States has shifted away from the smokestack cities of the Northeast to new regions and rural areas. Attempts by states to capture or recapture the shift have resulted in state economic development efforts and political forces which vary from region to region. Accompanying the shift are major demographic changes which make some regions younger or more culturally

homogeneous than others. The economic effects of these changes on U.S. collegiate institutions through the 1980s and into the 1990s have been well documented. In most states, the resulting needs and the political clout of the universities have converged with economic needs of the states to suggest reinvestment in the universities as an engine for state economic development. The problem is finding funds. As in other state development efforts, a connection to Japan's sources of capital seems promising.

7. The U.S. Trade Imbalance with Japan. While the United States has been running large worldwide trade deficits, Japan has been running overall trade surpluses that reached a high of 85 billion dollars in 1988. A substantial portion of each nation's worldwide imbalance is with the other nation. According to the Director of the Office of Japan Affairs in the U.S. State Department, a large portion of the U.S. labor force is affected by the overall trade imbalance and notes the contrast with heavy Japanese protectionism. As a result, the State Department's efforts to negotiate new market-opening agreements takes place within a very verbal and critical political atmosphere. Political tension over the trade imbalance is exacerbated by the unprecedented size of the U.S. federal budget deficit. Japanese citizens are investing in the United States as the safest place overseas to put capital at the rate of thirty-five billion dollars per year. Only part of this amounts to income retained from Japanese earnings in the United Sates. The majority of it supports U.S. debt. With holdings now of more than one hundred billion dollars in U.S. debt, the Japanese have become a major surplus partner for a major deficit partner.

In background to the current trade imbalance is an American belief that the large-scale export of U.S. basic science and technology research to Japan during the 1970s and 1980s has created Japan's economic boom, with very little reciprocity on the part of the Japanese. The fact that Japanese citizens work very hard, or that they build their individual savings at a rate far exceeding that of U.S. families, does not seem to be part of the U.S. version of the trade-imbalance story. Nonetheless, through the combined effects of the federal deficit and the strength of Japanese capital, Japan has become America's bank. It is natural for the debtor to resent the banker. Yet availability of Japanese capital has also created a gold-rush mentality that fuels a recent rise in U.S. demand for Japanese language instruction. The contrasting attitudes have led to a degree of cynicism that is difficult to contain diplomatically.

8. Trade Friction and the Role of Politics and Politicians. Japan's economic success has been achieved through a concerted export-oriented growth strategy, now being imitated by several other newly developing economies. Especially in the Japanese case, this export orientation has been complemented by a strong resistance to the import of foreign products and the imposition of various "invisible" barriers against foreign investment. In terms of formal regulations, Japan has fewer tariffs than most other General Agreement on Tariffs and Trade (GATT) Member nations. Nevertheless, foreign firms encounter great difficulty in penetrating the Japanese market. While it may be the case that many foreign competitors do not try hard enough, others do and fail. Western nations argue that Japan, while espousing free trade, in fact practices unfair trade. Thus some of the leading Western political leaders have decided to take legislative action to protect

indigenous markets against Japanese products with the hope that such measures will force new openings in the Japanese economy. In the United States, Representative Richard Gephardt of Missouri has been one of the most outspoken advocates of such measures. His strong stands have gained him considerable visibility in Japan. One interesting consequence has been the strategic decision by Susumu Nikaido, a leading politician in the Liberal-Democratic Party, to befriend Gephardt and apparently cooperate with him in opening Japanese doors. Among the many doors Nikaido has knocked on has been the door of higher education.

The Two Educational Systems

The recent burst of educational activity takes place against the background of established educational traditions and earlier traditions of international exchange. Prior to outlining the case studies of new wave institutions and the special problems they pose, it will be helpful to examine these traditions.

Comparing the Two Systems: Similarities

Basic similarities in the two systems, or at least the perception of similarity, have led to considerable volume of educational exchange in the past, especially from Japan to the United States, and have played an important role in facilitating the new wave of educational exchange. As a first step in our analysis, it will be useful to explore these similarities.

They trace their origins to the mid-nineteenth century, when the modern Japanese educational system was first being formed. At that time, Japan was wide open to foreign influence, and a number of U.S. Protestant groups set up educational institutions there either independently or in cooperation with Japanese founders. From these schools, as well as from government schools, a continuing stream of students traveled from Japan to the United States to pursue further studies before taking up roles in Japan as teachers and officials. The American influence during this period, while extensive, was complemented by the influence of European higher education. On balance, it might be said that European influence, especially that of Germany and France, was stronger. Thus the prewar Japanese university was somewhat more of an elite institution, offering specialized programs of education to young people who had already passed through a lengthy period of preparation in highly competitive secondary schools. The universities viewed themselves as ivory towers rather than as agencies of liberal education or of social service. However, following World War II, owing to the U.S. occupation, American influence was considerably strengthened. A number of occupation-promoted educational reforms brought the Japanese system into much closer alignment with the American one. For example:

1. Mass Upper Secondary Education. Prior to the occupation reforms, Japanese education was based on a compulsory program of basic education through the sixth grade, after which students were divided into various tracks. While extensive secondary and tertiary opportunities were provided, no more than five percent of an age cohort completed a higher-education program. The occupation reforms extended compulsory education to the ninth grade and replaced the multi-track secondary education system with a three-year senior high school that provided both terminal vocational edu-

cation and an academic course. The latter course proved immensely popular, and, as opportunities provided by the public sector were limited, many private schools were founded to respond to the demand. Today, over 94 percent of Japanese young people attend senior high schools, and 74 percent participate in an academic course. All graduates receive the credential for college entrance. In contrast with the U.S. pattern, few Japanese high school students drop out. Nearly seven of every ten Japanese youths of college age have the academic qualifications for college entrance, an even larger proportion than in the United States, and nearly all have the necessary credentials.

2. Large and Diverse Higher Educational System. Japan and the United States have two of the largest higher-educational systems in the world, with well over 1,000 universities and junior colleges in Japan (nearly 5,000 institutions if the various technical and vocational institutions at the postsecondary level are included) and over 3,400 in the United States (or nearly 11,000 counting non-collegiate career schools). In both societies, approximately 50 percent of the college-age cohort (aged 18-21) attend some form of postsecondary education. In both systems, there is a great diversity of institutional types, ranging from full universities through four-year colleges to junior colleges and proprietary schools. In America a somewhat larger proportion begin four-year programs, though only about half complete them; in Japan, fewer begin four-year programs, but nearly all who begin them complete them. Thus the actual proportion receiving a bachelor's degree is virtually the same as in the United States: approximately one out of every five young people.

3. Four-Year Institutions Are the Pace-Setters. Despite the diversity, at the core of both systems is the four-year college that combines programs of general and specialized education and expects students to complete at least 120 credit hours over a four-year period. The common format for earning a degree naturally leads to easy speculation on the possibilities of cross-national credit equivalencies and academic exchanges. Among the major obstacles are the differences in academic calendars (April to January in Japan versus September to June in the United States) and the difference in languages of instruction. Also, as will be explained in greater detail below, Japanese higher-education regulations place much stiffer obstacles in the way of credit transferability both between Japanese institutions and between foreign and Japanese institutions than do American regulations.

4. Large Private Sectors. Similarly, in both systems private institutions provide a large proportion of the postsecondary opportunities. In Japan approximately four of five places are provided by private schools, while in America the private sector's share is closer to one out of three. The leading institutions in both systems can count on large numbers of applicants and extensive philanthropic donations in good times or bad, but the more peripheral institutions have to be continuously vigilant to ensure their survival. While several of the private institutions in both systems are among the most highly regarded, many are not. Lacking sufficient state support to safeguard them against adversity, these private institutions are continuously exploring new ways to enhance their attractiveness and improve their revenues. In the current age of internationalism, innovative overseas programs rank high on their list of options.

5. *Both Systems Anticipate Enrollment Decline.* In the United States, the second wave of the postwar baby boom is now passing, and youth enrollments will begin to decline. American postsecondary educators, especially in the less competitive institutions, are anxiously searching for new ways to fill their classrooms and occupy their faculties. As one result, a flood of U.S. admissions officers has been arriving in Japan, taking a more aggressive recruiting stance. Japan will not experience the baby boom downturn for another four years, but when it comes, the effect will be even more drastic, with a 25 percent drop in the number of eighteen-year-olds from 1993 to 2000. In anticipation of the decline, Japanese educators are seeking new ways to enhance the marketability of their institutions of higher education. Concern is felt at all levels of the Japanese system but seems most acute at the weaker institutions; it has led them to consider the most daring propositions. In view of the current fad for internationalism, the establishment of foreign campuses is viewed as an attractive strategy.

6. *Indigenous Degrees Lead to Jobs.* In both Japan and the United States, higher education has close ties with the labor market. Employers are especially impressed with the quality of graduates from the top universities and show preference for them when recruiting new employees. Internationally oriented employers also look first to indigenous universities when seeking recruits, though for international jobs they naturally seek students with international exposure, including foreign language skills and overseas sojourns. Given these labor-market preferences, the most viable overseas programs in both the United States and Japan involve junior-year-abroad arrangements where the students earn domestic credits for their overseas experience.

Given the preference for indigenous degrees, the more prestigious institutions both in Japan and the United States have generally emphasized junior-year-abroad programs when developing international programs. These institutions assume that most of their students will seek employment with employers in their home countries. Foreign students tend to be welcomed at these institutions because they enrich the overall educational experience of the indigenous students, not just because they provide an opportunity for institutional profit.

Students with foreign degrees are generally less attractive to both American and Japanese employers. At least in the United States, students with a first degree from a foreign institution are frequently able to supplement it with a second degree from an American institution, thus establishing their ability to achieve American standards. In contrast, in Japan a student with a foreign degree until recently has had little standing in the domestic labor market. Students with such backgrounds have tended to move into marginal positions as translators or into secondary positions in international liaison divisions. Only recently have there gradually been appearing changes in the practices of employers. They have begun to recruit Japanese students with foreign academic degrees, Japanese returnees, and even foreigners applying from foreign countries, and foreign students from developing countries studying abroad in Japan. This practice seems to be increasing among Japan's big internationally oriented firms.

Most of the new American universities in Japan offer only U.S. accredited first degrees or associate degrees and thus are unlikely to have much standing with conventional Japanese employers. Currently, for placing their graduates, these institutions are targeting foreign corporations that seek bilingual employees. The foreign corporations constitute but a very small proportion of the Japanese labor market. Without substantial changes in the practices of employers, those institutions which develop foreign degree programs could face a difficult future.

Comparing the Two Systems: Differences

1. The Japanese Higher Educational System Is Arguably More Hierarchical. In many respects Japan is a more centralized society, whether in government, economy, or education. Partly for this reason, Japanese eyes focus on a more restricted set of employers as the most attractive places to work, including the central government and the select group of large firms. These employers tend to concentrate their recruitment efforts at a small number of universities, enhancing the attractiveness of these institutions as places for ambitious young people to study. In the United States, good jobs go to graduates of the more prestigious colleges and universities, but the linkage is not so tight, or at least it is not perceived as being so tight. Americans are not as homogeneous in their perceptions of preferred employers, and the routes to good jobs tend to be more varied: from college, yes, but also from graduate school or following experience at some other work place. Top colleges do not have as clear a monopoly on top jobs, and do not loom so high above the rest. Because top colleges do not stand so high in the United States, less competitive colleges possibly do not sit so low.

2. Student Mobility and Credit Transferability Is Much Greater in the United States. Possibly detracting from the steepness of the American hierarchy is the opportunity to transfer between institutions. Students who do well at a particular institution and conclude that it does not suit them can apply to and get accepted by another institution, often of higher quality than the first. A recent variant on student transfers is the phenomenon of several nearby institutions forming consortia to allow students from any member institution to take courses for credit at the other's. This possibility of mobility and credit transferability tends to flatten the significance of prestige differences.

In contrast, in Japan until recently most institutions have refused to recognize credits earned at other institutions. Students with courses at one institution who have sought entrance to a second have been required to pass the latter's entrance examination and start from the bottom. The Ministry of Education has attempted to liberalize local practice by introducing an explicit modification to allow institutions to accept the transfer of up to thirty credit hours earned by a student at another institution, including a foreign institution (e.g. credits earned by a Japanese student on an American campus). However, thus far few institutions have responded to this opportunity.

The inability to transfer credits within the Japanese system means that there are large numbers of young to middle-aged people who have completed a junior college education, equivalent to an American associate degree, but have no opportunities within the Japanese system for further education.

These terminal associate degree holders may constitute a large potential market for flexible foreign degree programs.

3. Japanese High School Students Know More Than Their American Counterparts. Reflecting the public perception of the steep academic hierarchy, Japanese young people from at least their junior high school days begin their preparation for university entrance through participation in extra-school tutorials and other measures. Most select the academic track at high school and focus on the tougher courses in this track. While ostensibly there are electives at the high school, most Japanese high school students take science, math, history, and a foreign language year after year with the intention of building a solid foundation for the college entrance exams. The devotion to these difficult courses tends to create a rigorous academic climate in most high schools. As a result, Japanese high school students know quite a bit more than their American counterparts, as demonstrated by international tests in science, mathematics, and geography.

4. Japanese High School Students Have Better Preparation in Foreign Languages Than Their American Counterparts. Even in foreign languages, Japanese young people receive considerable preparation. Most take English each year of both their junior and senior high days, acquiring an extensive vocabulary and command of grammatical rules; however, their spoken English is usually weak. Moreover, many also begin a second foreign language in high school, such as German or French.

5. Japanese Higher Educational Institutions May Be More Anxious to Improve Their Status. Partly because of the sharpness of the prestige hierarchy in Japan, Japanese higher-education managers are especially conscious of ways to improve their institution's image. One approach is to expand their curricular offerings. Another is to upgrade their status, as from proprietary college to university. Yet another, in the new age of internationalism, is to open up a foreign campus or start some new form of international program. In the United States the status battles are much the same, but perhaps a little tired: it is only marginally possible to change status, but the differences still hurt.

6. Regulation or Accreditation Is "Firmer" in the Japanese Case and Hence Makes the System More Uniform. American accreditation is monitored by associations of schools and universities which lay out broad guidelines for accreditation and periodically modify them in response to member requests. In Japan, the basic guidelines for the formal system are laid down in national law and are very difficult to change. Real power also lies with an unregulated entrepreneurial sector that supplies the system with a complementing diversity. Responsibility for applying the formal system's guidelines lies with the Ministry of Education and the special professional committees it appoints. Under ministry instructions, these committees in recent years have been especially severe in their judgment of applications for the establishment of new universities and colleges or the official upgrading of status from a proprietary institution to a college. The policy of constraint works in the interest of the top Japanese institutions, heightening their attractiveness. While there is strong institutional motivation in Japan for upgrading, the prospects are dim. The difficulty of gaining recognition as

a Japanese university has led a number of upwardly mobile Japanese institutions to consider setting up some form of college level institution which can receive U.S. accreditation. Ironically, the Japanese policy of constraint also leads American educators into compromises that are devaluing American education.

7. The Focus of Regulation Differs. In the United States, the focus of accreditation is on the process of education: how a curriculum is organized, how staff teach, how staff are promoted and motivated. In contrast, Japanese regulations established three decades ago focus on educational inputs such as the size of the campus, the number of classrooms, the number of faculty and their degrees. Of special importance in the case of Japanese private institutions is the requirement that a nonprofit "legal person" be the sole possessor of the basic physical plant where the education is expected to take place. The Japanese requirement of adequate physical facilities reflects a concern of the immediate postwar era, when many Japanese institutions had marginal facilities. The Japanese regulatory focus on inputs possessed by a disinterested legal person places a substantial barrier in the way of creating new institutions. Private individuals who wish to sponsor a higher-educational institution must turn the required assets over to the institution's nonprofit legal person and thus sacrifice any future claim on these assets. In contrast, in America an institution is required only to have access to a physical plant but need not possess it; renting is a viable option. Interestingly, in the United States a sponsor can build a plant and rent it to the institution without ever sacrificing claim to his assets. The process-oriented American standards make it easier to establish a new institution. This important difference has been appreciated by Japanese educators who have begun to court American partners.

8. Japanese Gate Is Narrower, Exit Is Wider. The Japanese regulatory focus on inputs is accompanied by the Japanese higher-education system's keen focus on who gets into an institution but apparent laxness in monitoring the progress of students once admitted. Nearly nine of every ten entrants to a four-year Japanese institution graduate within four years of entrance; in contrast, only about half the American students admitted complete their program within four years. One reason for this difference may be the poorer preparation of American students. At least as important, however, is the American concept that a college student, regardless of his preparation, has to achieve a certain standard in order to graduate. Thus grading in many American colleges is strict, and many students, after receiving a sequence of low grades, find that they have to leave their college. Failure is almost unheard of in a Japanese higher-education institution.

9. American College Education is Higher in Quality, Perhaps. The stricter standards in American higher education are an element in the widespread belief that the American college provides a better educational experience than the Japanese college. Other factors contributing to this belief are the more elaborate syllabi prepared by the faculty at the better American institutions, the more extensive reading requirements supported by superior libraries, the somewhat lower student-teacher ratios, and generally speaking the celebration of good teaching that is characteristic of the better

American liberal arts colleges. In Japan, teachers are very important, but teaching seems less important. Students in Japan often remember the overall university experience but not what a particular teacher has taught. Does this mean that the quality of American higher education is superior? At least in the current era, many Japanese educators think so.

10. Graduate Education Is More Highly Developed in the United States. In both Japan and the United States, graduate education began as a means for training the future professoriate. In Japan, that still remains the major function of graduate education, and the ratio of degrees conferred in graduate programs to undergraduate programs is approximately one to ten. In certain fields, notably engineering and to a lesser degree science, Japanese graduate education has expanded its purpose to provide training relevant for industrial purposes; in engineering one of every four degrees is a graduate degree. Many in Japan would argue that other fields, such as education or foreign languages, should expand their graduate-level programs, but the universities have been slow to welcome students, and partly for that reason the students have been slow to respond. In contrast, in the United States graduate education has become common for virtually all disciplines, and in the labor market a master's degree now occupies the place once commanded by bachelor's degrees. The system-wide ratio of graduate to undergraduate degrees is one to five, and in some fields it is much higher. American graduate education is better tailored to the practical needs of students, and thus a large number of young Japanese in recent years have sought advanced training in the United States. Especially attractive fields have been English as a Second Language, engineering, and business management. Several of the American institutions looking to Japan for the establishment of cooperative ventures are considering or have begun the establishment of graduate programs in these fields.

11. Japanese Higher Education Is More "Commercialized." Ever since World War II, private institutions in Japan have had to struggle in order to survive. The primary concern throughout has been to secure sufficient revenues to provide an educational program comparable to that offered at the well-funded state institutions. Up through the early seventies, virtually all of the funds had to come from annually self-generated revenues. The state provided no subsidies, and philanthropists, because of unfavorable tax laws, were reluctant to provide support. Based on these forty years of experience, the private institutions have developed considerable acumen. They charge differential facilities and tuition fees according to the popularity and expense of their respective faculties. They charge steep fees for the privilege of taking entrance examinations. And, as the value of their campus land appreciates, they use the appreciated value as collateral for various financial schemes in Japan's high-finance corridors.

Creative finance is widely practiced also in the United States, leading to competitively priced extension programs, summer schools and camps, real estate subsidiaries, the sale of research results, and, in recent years, to a growing interest in overseas programs. Through various plant and promotional schemes, creative finance has placed virtually all aspects and assets of the institutions within reach of anyone who can provide funding. However, because many creative financing arrangements are presented as academic

programs or fund-raising variants or forms of internal financing, the U.S. public does not perceive this as "commercial" development.

It would be difficult to reach any conclusions on the relative merits of the practices in the respective systems. However, the Japanese public seems to be more critical, or perhaps simply more in awe, of the cleverness of the private sector managers. Thus there is an assumption that Japanese higher education is more "commercialized."

12. The United States Is More Visible to Japan than Japan Is to the U.S. The United States has played a central role in the development of postwar Japan, acting as a "big brother" and protector. Approximately one-third of Japan's international trade is with the United States, and more Japanese have immigrated to the United States than to any other country. For these and other reasons, Japan is highly conscious of the United States and naturally looks to it as a likely focus for educational exchange. In contrast, historically U.S. international relations have focused on the Atlantic community, and the majority of the American people have ties with European peoples. Japan has entered relatively late into the American consciousness and primarily as a problem, first as a military antagonist and more recently as a trade competitor. Most Americans respect Japan, but few hold warm feelings or have deep cultural and personal ties to Japan; those who do are more likely to be located on the West Coast rather than the East Coast. These imbalances in international linkage are reflected in the relative degree of commitment to fostering new patterns of educational exchange.

Assumptions and Myths

Our outline above of similarities and differences in the two systems has attempted to keep as close to the objective facts as possible. But beyond these facts are a variety of beliefs which have played an equally important role in motivating the recent wave of institutional exchanges. While it is more difficult to document these beliefs, it is nevertheless important to note them.

1. American Educators Assume that the Japanese System Offers Students Fewer Opportunities. Much of the new movement's rhetoric talks about the inability of Japan's students to get into college, but the reality may be that they cannot get into their preferred college, or they may not find it in the preferred location. If we consider the total Japanese system, it rivals the American system in the abundance of opportunities. On the other hand, a greater proportion of the Japanese cohort may be prepared for higher education, and in that sense better schooled Japanese may be denied their rightful opportunity. Moreover, the provisions in the rural prefectures of Japan are, at least in the eyes of certain prominent politicians, felt to be insufficient, and repeated efforts within Japan to address this deficiency have failed.

2. The "Process" of Japanese Higher Education Is Relatively Weak. While there has been little systematic study of this proposition, most American educators who have an opinion on the matter tend to agree with this statement. They seem to have been influenced by the self-deprecating comments of their Japanese friends as well as by the frequent and prominent assertions of distinguished American commentators to this

effect. Nevertheless, a degree from a top Japanese institution has identifiable meaning: its holder has unusual persistence, native ability, general knowledge, and in many fields a rigorous preparation.
The obverse of this assumption is that American education offers a relatively strong process. In the United States employers show an amazing willingness to accept its credentials as evidence that such a process has taken place.

3. The Japanese Are Rich. Yet another interesting view on the American side is the assumption that Japan is a wealthy country and hence that most Japanese are personally well-off. While there is contemporary truth in the first assertion, the second is more dubious. Much of the wealth accumulated through Japan's recent economic success has been retained by the banks and large corporations rather than distributed to the public. Hence the average Japanese student is unlikely to be any better off than his American counterpart. The Americans are surprised, as are the Japanese, that there are students from the other country who need financial aid. The difference is that a much higher proportion of disposable income in Japan is channeled toward education, creating a vast domestic market in which certain needs remain underserved. For example, where affluence is based on an inheritable family business, a child's education may be treated as a consumer item with no real worries about demonstrable results other than graduation. For the female children from some wealthy families, a $40,000 U.S. degree is a good investment if it will prepare them for marriage, since the alternatives are to submit their years of character formation to the Japanese university exam process, or settle for a more limited junior college experience. For newly comfortable families that are sending their first generation to college in Japan, as in the United States, the college selection process may not be very sophisticated. The American educator looking at Japan often has visions of charging high tuition without great accountability, gaining substantial margins on overseas activities.

4. But the Japanese Are Supposed to be Tough Negotiators. Few American educators have had direct exposure to Japanese business practices, but they have heard lurid tales. The accounts predispose the American educators to expect a similar toughness in the higher-education sector; they often steel themselves with a tough posture as they approach their new ventures. This U.S. toughness can lead to a focus on low initial risk and a minimum of long-term commitment. Japanese negotiators who deal with the Americans are often surprised at their approach.

5. We Have an Agreement in Principle. Some U.S. negotiators assume that the Japanese wish to keep contractual promises vague in order to allow room for the enterprise to grow within an atmosphere of mutual trust. The parties reach an agreement in principle and proceed. This is the agreement upon which the Japan partner commits considerable personal resources and takes immediate action, such as construction, hiring faculty, producing publicity materials, and recruiting a student body. Within a short period the U.S. partner tries to move the agreement toward some tighter set of specifics, and the Japanese side may view the move as a way of reneging on the agreement in principle, especially since the no-risk posture which most American institutions have claimed puts the burden of each revision onto the Japanese partner.

6. Americans Believe that Education Can Do Business Freely in Japan. Compared with the United States in general, the Japanese business community is more closely knit in its internal organization and tighter in its relations to government regulatory agencies. Within this system, the parts can be organized to help one another. The result is an atmosphere which actively supports those who move in the same direction as the centers of power and frustrates those who do not, even in the area of education. American educators arriving on the scene may find that they cannot do business freely in Japan.

7. Japanese Believe that American Higher Education Is Special. At the heart of the new Japanese interest in American higher education is the belief that the American system works better. Japanese educators are dismayed at the inability of Japanese young people to speak English after six years of studying English in high school and four in college. Surely a university staffed and managed by Americans could bring about a better result in spoken English. Equally important is the Japanese belief that Japanese education fails to stimulate critical or creative thinking, while American higher education does. The Japanese images of American higher education tend to be shaped by experience at the more prestigious American institutions. Rightly or wrongly, they assume that all American institutions observe the same high standards of classroom instruction.

8. English Can Be Mastered If You Try. Virtually all the new ventures are based on the premise that Japanese students, given a reasonable amount of time and proper instruction, will be able to make substantial progress in their English language skills. This seems a reasonable assumption, but it should also be kept in mind that many of the students entering these programs come from the bottom half of their high school classes and have already developed strong complexes with respect to their ability in foreign languages. These entry characteristics may act as a significant obstacle to their acquisition of English, even under the favorable circumstances of an American educational experience.

9. Japanese Students Are Better Than U.S. Students. The U.S. professor has a very high opinion of Asian students, including those from Japan. The ten to now twenty thousand students from Japan they have seen annually in the U.S. system have been among the best and the most ambitious of Japan's one hundred and twenty million people. When U.S. professors arrive on the scene in Japan their attitude is: Well, where are the rest of the good students? They have difficulty believing that every student attracted to the new institutions can't be just as good as those they have been teaching in the United States.

10. American Universities and Communities Are Accommodating and Will Readily Receive Those Who Come. American universities and colleges have pioneered in the development of special services to help international students feel at home on their campuses, including the establishment of international student offices, centers to teach English as a Foreign Language, homestay programs, and various other arrangements. These are well publicized in Japan and enhance the attractiveness of an exchange visit

to the United States. In general, these programs work best in universities and communities where there is a modest number of foreign students. They tend to become more bureaucratized and less effective when numbers become large. The large-scale programs that seem to be contemplated in many of the current Japanese ventures are likely to strain the capacity of these attractive services.

11. Weak American Institutions Will Readily Welcome a New Investor. Perhaps the most interesting assumption on the Japanese side is that troubled American schools will welcome outside involvement. Certainly in the world of business troubled companies look favorably on those who propose the injection of new funds. But students of U.S. higher education find a different pattern there. Troubled institutions turn to insiders for help in solving their problems and tend to be shocked when outsiders offer to become involved. However, it is apparent that Japanese investors are not yet aware of the peculiar response pattern of higher-education institutions and are destined for a surprise.

12. Real Estate that Is Not Leveraged Is Underutilized. This belief has done much to launch the new movement. Japanese banks consider educational institutions excellent mortgage investments. They also consider U.S. investments among the safest available overseas. Banks in Japan are expected to offer their clients a strong advisory relationship; they have close relations with many of the proprietary school owners. When "internationalization" became the latest business trend, it was natural for the banking community to suggest that educational clients look for business opportunities in that direction. Much of the current interest originated as bank investment advice for real estate development in Japan and overseas.

13. The Ministry of Education Will Change Its Mind. The first preference of most Japanese groups exploring the creation of new universities, whether in the United States or Japan, is to create an institution that has the official approval of the Japanese Ministry of Education and offers degrees recognized by the ministry. But the ministry has distanced itself from most of the activities we will be describing, arguing that the programs are American and hence do not need or require any action from the ministry. In the absence of ministry approval, these ventures have moved forward. However, in the back of the minds of most of the promoters is the expectation that, at some point in the near future, sufficient pressure will be placed on the Ministry of Education to bring about a change in policy, leading to the recognition of these institutions as having status equal to existing universities. Such a policy reversal would prove a tremendous success, as the startup costs for many of these institutions are but a fraction of what has been traditionally required by the Japanese establishment standards.

In this atmosphere, and without a firm understanding of one another, educators have been pursuing the ideals of international education and advancement, seeking ways for people in both nations to profit from education.

II.
How the Movement Has Developed

This chapter explains how the new Japan-U.S. ventures have developed. Its argument is as follows:

- First, it is important to understand that the new wave in international education is not an isolated Japan-U.S. phenomenon. It has precedent in Malaysia and examples now in the United Kingdom, Europe, Canada, Korea, Australia, and New Zealand.

- The new wave has examples of institutions founded for good business reasons and of institutions expressing ideals of international understanding.

- Japan's abilities to launch overseas programming have rested primarily with its private institutions. With their public institutions unable to take the initiative, local governments have with mixed success encouraged others to provide "overseas" programming for them at home.

- Changes in the context of U.S. higher education make U.S. overseas programming potentially one of its most dynamic aspects.

- A series of specific catalysts have had as their first effect the stimulation of U.S. programming in Japan rather than vice versa.

- Contacts made between partners, substantially by chance, have developed programs across all sectors of both systems with the exception of Japan's public institutions.

- U.S. ventures in Japan have developed in character with earlier U.S. overseas programming.

- Similarly, the development of Japanese overseas education in the United States, while progressing more slowly, has followed earlier Japanese types.

- The result has been great educational variety developing quickly on both sides of the Pacific, but more quickly on the Japanese side.

Into this argument are set tables and other information summarizing the cases studied. Also included are a number of illustrative short case histories. They are intended to provide the reader with the essential stories

from a number of cases, so that particular issues that are discussed later in the report, such as enrollment, can be considered within broader institutional and historical context. For the most part, these stories are told in the words of their own people. Enough detail is given, it is hoped, to help readers arrive at an initial assessment of the benefits and weaknesses of the new ventures.

Earlier Patterns of International Education

The new cooperative ventures build on a rich heritage of experience in international education. The dominant pattern of overseas study originally consisted of ambitious young people who sought on their own to go to other countries for further education and cultivation. Building on and further stimulating the ambition of these young people, various programs of assistance have evolved such as the Fulbright Program, the East-West Center Fellowships, the Monbusho Fellowship, and the Luce Fellowships, to mention but a few.

The cooperative ventures we are discussing here, however, involve more than individuals going abroad; they include the establishment of new institutions in foreign settings. Even prior to World War II, a number of U.S. institutions sponsored overseas institutions, though in those instances the overseas campuses were established as autonomous entities subject to the accreditation and other requirements of their foreign setting. Most impressive were the efforts of religious bodies in setting up seminaries and colleges in many part of the world. Easily a dozen Japanese universities have developed from such beginnings. The most recent was The International Christian University, founded on the outskirts of Tokyo in 1947.

Since World War II, several other patterns of overseas institutional development have emerged. Most have been driven by ideals of mutual understanding or by the needs of expatriate citizens. Only a few have been viewed strictly as good business.

Special Courses for Overseas American Communities. As background for these programs, we should note that large numbers of American citizens, especially since World War II, have moved abroad for work in the private sector as well as for the government including the Department of Defense. Where sufficient numbers reside in one locale, they have often joined in associations to purchase land and establish American schools for their children. At least 200 of these overseas schools are currently operating. In some instances, the schools receive government subsidies; in others the schools are fully independent. Most welcome students who are not American citizens, though in several of the countries where they are established, local citizens are not allowed to attend. The education provided by these schools usually has no official standing in the local system, but rather is accredited by a U.S. regional accrediting association. These American schools, which usually extend from kindergarten through high school, provide an important precedent for other overseas educational ventures.

American adults overseas also seek educational opportunities, and in response to their needs a number of U.S. universities have set up special

programs. Perhaps the largest are the European and Asian branch campuses of the University of Maryland. These campuses typically are located on U.S. military bases under contract with the U.S. Department of Defense and offer collegiate level education to U.S. servicemen, their dependents, and other related personnel. Following the same model, a number of other institutions, such as Michigan State, provide special intensive courses in such fields as teacher education and liberal arts to selected overseas American communities under contract with overseas International Schools or American Chambers of Commerce.

Special Schools for Overseas Japanese Communities. In some cases, overseas Japanese business communities have joined together to set up independent Japanese schools. A more recent pattern has been for the overseas business community to encourage a recognized Japanese educational institution to set up an overseas school. It is with such encouragement that Gyosei University set up a boarding school on the outskirts of London in 1977. Rikkyo had set up a similar school in 1972. Other schools have been launched in Switzerland and Germany. In 1988, Keio University announced its plans to establish a school in Westchester on the outskirts of New York City. Similarly, Meiji Gakuen is beginning a school in Tennessee. Other ventures are in the planning stages.

Study Abroad. The study abroad programs have emerged in response to a growing demand by American young people to gain exposure to foreign cultures while at the same time making progress toward a degree at an accredited U.S. college. An amazing variety of such programs has emerged, ranging from full immersion in the conventional program of a foreign university to a short stay at a foreign campus of the sponsoring American institution. Currently, some 70,000 young Americans participate in these programs annually, with at least four of every five going to Western Europe.

The establishment of study abroad programs achieved its greatest momentum in the late fifties, at a time when Japan and Asia seemed peripheral to U.S. interests, and those origins are still evident in the structure of such programs. Only five percent of the U.S. study abroad groups go to Asia, with half of these spending time in Japan. While the number of young Americans going to Japan has been comparatively small, these programs have led to a number of new relationships between U.S. and Japanese institutions. For example, it was on the basis of such programs that Asia University originally established a formal tie with Western Washington University. Perhaps one hundred Japanese universities have developed formal ties of this kind with American institutions. As a result, a number of small friendships have been built over the years, but few of these have become a larger kind of partnership in the new era.

Japanese universities have a special structure for their study abroad programs. In Japan a "bekka" ("another department"), is a department created as an additional department which does not offer any degrees in the higher-education institution but which provides one to two years of special technical training. Most bekkas today are designed for foreign students, that is, for teaching Japanese as a Second Language as well as the history, culture, and business courses of a so-called Japan Studies Course for a

junior-year-abroad program. Most American branches of Japanese higher-education institutions that are considered part of the Japanese educational system have similar organizational characteristics. That is, the concept of "bekka" has been applied to the education of their own Japanese sophomore and junior students by sending them to their own bekkas overseas. These are considered "another department" for teaching American history, culture, and business as well as English as a Second Language. The Japanese bekkas in the United States are almost like junior-year-abroad centers overseas and do not offer any degrees.

Programs set up in the United States which do not fit this pattern cannot be discussed within the Japanese formal educational system. As will be illustrated, these may instead be considered U.S.-based analogs to Japanese branch campuses of U.S. institutions.

Technical Assistance. Distinct from the overseas programs for Americans are those programs that are often supported by funds from foundations or the U.S. government's technical assistance programs, in order to provide education for foreign nationals. Some of these programs simply bring foreign nationals to the United States for study, but in many instances the long term objective is to promote institutional development in an overseas setting. Thus, for example, American universities have participated in the development of teacher education schools in Indonesia and engineering and agricultural schools in India. To coordinate the various international programs, a number of U.S. institutions have created special offices in their central administration, and in several cases the heads of these offices have been given the title of Vice President for International Programs.

Asian Demand. Partly due to these overseas programs, young people from most Asian countries have become quite knowledgeable about American higher education. As their national economies have improved, these young people in increasing numbers have sought entry to U.S. degree programs. By 1981, the number of students from Asia began to rival those from other regions. Today Asian students constitute over one half of all foreign students in the United States. In general, the match between Asian higher educational needs and U.S. opportunities has been quite positive, and thus there is every reason to expect further growth in the Asian demand. Japanese student enrollments in U.S. institutions jumped 33 percent in a single year in 1988-89, according to IIE's annual *Open Doors* survey.

U.S. Programs in Malaysia. The sponsorship of overseas Asian students varies by country. In most countries, the great majority of students pay their own way. In contrast, in Malaysia the government has developed a special scholarship program for overseas students, on the assumption that sponsoring study abroad is less costly than attempting to establish additional domestic universities. A special agency was set up to select the students and to provide preparation in English as a Foreign Language, as from the early seventies the language of instruction in Malaysian schools reverted from English to *bahasa melayu.* In the early days, most of the government sponsored students went to the United Kingdom. But as the numbers have expanded and Britain has instituted fee hikes for foreign students, increasing numbers have been sent to the United States.

From the late seventies, the Malaysian government decided to revise the program of individual placement. In its place, contracts were proposed whereby the foreign institutions would provide up to two years of instruction on a campus in Malaysia prior to sending "qualified" students (those with TOEFL scores above a prescribed level) on to the home U.S. campus for further education leading to a U.S. degree. During the first two years of study in Malaysia, the students would concentrate much of their effort on English as a Foreign Language; according to the proposal, most of these courses would be accorded full academic credit towards a bachelor's degree by the contracted American institution. A number of U.S. universities including Ohio University, Southern Illinois at Carbondale, and SUNY Buffalo were awarded these contracts. Under the arrangements, some 20,000 Malaysian students are currently studying in the United States along with another 10,000 studying under other arrangements. The basic pattern of the Malaysian contracts have provided the model for many of the new U.S. ventures in Japan, and several of the institutions which launched programs in Malaysia are now examining Japanese possibilities.

Canadian "Visa" Schools. Another noteworthy outcome of the Asian demand has been the establishment in Canada and, more recently, in Australia of a number of schools exclusively designed to attract Asian students. In the case of Canada, students coming directly from overseas face difficulty in gaining entry to a Canadian university; part of the difficulty is the Canadian government's reluctance to give visas to university-level students. However, the Canadian government has not been so restrictive in granting visas to younger people for a year of study in Canada, and a well prepared student from Hong Kong requires only a year to complete the exams required for graduation from a Canadian high school. Moreover, a student who graduates from a Canadian high school, regardless of nationality, has a good chance of gaining entry to a Canadian university (and also has the qualifications for applying to universities in nearby America). Recognizing this loophole in the 1970s, a number of entrepreneurs worked out special relations with ailing Canadian private high schools or established new ones with the objective of providing high school opportunities for affluent Asian students. In this way, upwards of twenty "visa" schools emerged by the late seventies.

Cognizant of the unmet needs of Asian degree-seekers, educational entrepreneurs in other parts of the British Commonwealth have launch a range of similar new ventures. The University of East Asia was established in Macau in the early eighties, attracting prospective Hong Kong and Malaysian students who could not gain entrance to local universities. In Australia, a number of visa high schools were established. In 1988 Alan Bond joined with a Japanese entrepreneur to establish the Bond University in Queensland, designed to accommodate a large foreign-student population. Two other universities to serve foreign students are being established in the Perth area. In sum, a number of new institutions have emerged in response to the rising Asian demand.

Ideals and Good Business

As can be seen from this account of new overseas campuses, most largely serve an Asian clientele who cannot find places in their own systems. This

clientele tends to have reasonable educational preparation, the will to study hard without complaining, and parents who are prepared to pay a substantial fee. Thus the execution of these programs has proved to be good business.

The English and Australian ventures have generally been represented as exactly that, sound business propositions. However, many of the American ventures have articulated an additional objective, that of improving the educational environment of their home campuses. They generally build into their agreements the opportunity for students from the home campuses to visit the overseas campuses, and they assert that the participation of students from the foreign countries at their home campuses will improve the quality of education there. American ventures are rationalized along the ideal of promoting the international education of both foreign and American students. The ideal of mutual benefit has been carried over into the American cooperative ventures in Japan.

Development of Japanese Overseas Education

One of the key factors behind the economic progress of Asia has been the increasing involvement of Japanese business in the region, first primarily for the acquisition of raw materials and later for investment in overseas production and services. With the increasing Japanese presence, Asian leaders have become impressed with Japanese approaches. For example, in the early eighties Singapore initiated a "Learn from Japan" program and Malaysia launched a "Look East" initiative. One element in these programs has been official encouragement for young Asians to go to Japan to learn through working in Japanese factories or studying at Japanese universities. Despite the Asian interest in Japanese education, not many Asians have had an opportunity to learn Japanese, and they encountered difficulty in applying to Japanese universities. Thus, in 1985 fewer than 10,000 Asian students were studying in Japan, compared with at least fifteen times that number studying in the United States. However, in 1985 the Japanese government announced a new policy of increasing the number of foreign students to 100,000 by the year 2000. New scholarship funds were made available, and local universities were encouraged to improve their procedures for receiving foreign students. A number of innovations have been introduced, including the offering of some graduate programs in the English language. But there is reason to doubt Japanese higher education's capability of absorbing such a large number of foreign students. One alternative is for American institutions in Japan to accommodate some of this demand.

In our discussion thus far of Japan's recent experience in overseas education, we see that the major activity has been at the secondary level, and it has involved the attraction of reputable private institutions into overseas ventures providing education for a privileged Japanese clientele. Because of the affluence of this clientele and the careful planning that went into these ventures, most have proved successful. Through demonstrating the viability of investing capital in long-term international education, they have paved the way for the current wave of cooperative ventures. But whereas the earlier ventures have been restricted to a small group of reputable and well-connected educational institutions, the new wave seems to lack such restraint.

The Weaker Private Institutions. Our introductory chapter identified several factors influencing the current Japanese educational environment. Perhaps most critical is the imminent decline in the size of the higher-education cohort which causes all institutions, and especially those with the lowest prestige, to worry about their prospects for attracting students. The less prestigious private institutions, many of which lack status as universities, feel especially threatened. These institutions lack room for maneuverability within Japan, as they are not highly esteemed by either the government or the general public. They have few alternatives but to look overseas for new opportunities. Thus, it is these institutions which have been especially active in seeking new cooperative ventures. However, as these institutions recognize that they also lack international credentials, their overseas approaches have tended toward the bold, suggesting outright acquisition of foreign institutions rather than the establishment of common ventures.

The Stronger Private Institutions. More established private institutions have felt less threatened by prospective demographic trends, but nevertheless are conscious of the need to stay abreast of the times. Their programs have always placed a heavy emphasis on the social sciences and the humanities, disciplines with obvious international content. As Japan's interest in internationalization has quickened, many of these institutions have come to recognize the advantage of international ventures. Some, such as Doshisha University, have established "international" high schools or "international" studies facilities in Japan. Others as noted above have established international schools overseas. As the products of these school ventures reach the age for higher education, the same institutions have begun to explore other opportunities. The Asia University example to be described later in this chapter is perhaps the boldest thus far. Other such initiatives are certain to follow. They add to the glitter of the institutions and ensure their ability to attract good students.

The Public Universities and Public Governments. Public universities in Japan generally lack the autonomy and leadership to carry out such initiatives on their own. The nationals receive their funding through a line-item budget from the Ministry of Education. They have no separately controlled money, except for a few which have foundations. One result is that the public institutions seldom have study abroad programs since these require discretionary funds. Moreover, because they can count on public revenues to weather the hard times, the public institutions feel less pressure. However, a number of local governments in Japan have taken a different view of recent developments.

Osaka is a wealthy local government which supports a number of local universities and hosts a national university and numerous private institutions. The Osaka government has come to view the new interest in internationalization as a convenient symbol for building new business alliances. Pitting itself against the rival Tokyo, Osaka has taken a vigorous stance in encouraging new cooperative higher-education ventures to establish there. Most of those welcomed to Osaka have tended to complement the side array of domestic alternatives. The Osaka government officials spearheading this effort are sophisticated internationalists who see these developments as contributing in an integral way to their long term develop-

ment plans. They draw on substantial consensus in the local business community.

In contrast with the Osaka example is the interest out of desperation expressed by several isolated rural governments such as Koriyama, Akita, and Niigata. In these and other locations, the local economy has experienced little growth in recent decades, and young people have steadily departed to seek opportunities in urban labor markets. To curb the flow, many of these governments have explored a wide variety of development alternatives. In general their first choice was to attract new industry. Second choice was to establish a branch of a Japanese university, but this would cost upwards of $70 million. Third choice was a Japanese junior college, still a major advance for a town which might not have a high school within commuting distance, but this would cost upwards of $30 million. Fourth choice would be for anything affordable, and a U.S. branch campus would cost only half of what a junior college would cost. In many instances, these local communities lacked the ability to explore the full implications of establishing cooperative ventures with American universities. As will be indicated, the members of their communities are not unified in their support of these ventures.

The Developing U.S. Context

The surge of U.S. interest in arrangements with Japan comes at a time when U.S. institutions are hungry for stimulation and resources, but until now have faced a climate restricting the investment of overseas funds in their institutions. What has changed in U.S. higher education to make the potential for Japan relationships suddenly pervasive?

A Change in Need. In the past decade the major U.S. higher-education sectors have shifted in relative strength. For those unfamiliar with the U.S. system, these sectors are:

- state and local publicly established and funded institutions, generally called "the publics,"
- private not-for-profit institutions chartered or licensed by states but not receiving the major proportion of their funding from government, generally referred to as "the privates,"
- private for-profit institutions licensed by the states as profit-making enterprises, generally known as "the proprietaries."

The proprietary sector is by far the smallest of the three, enrolling less than two percent of the postsecondary students, but in the 1980s it has been an area of growth for the U.S. system.

During the 1980s the proprietary sector alone developed major new sources of financing by qualifying for federal student aid. The result has been an enormous growth in profitability, along with federal and state accusations of wide-spread abuse. However, high profits for proprietary school owners have also provided them with a level of political clout which makes abuses in the proprietary sector difficult to address at the state level. As one state official explained: "There's so much money there. There's so much power

there, so much legislative support. . ." (*Chronicle of Higher Education*, August 9, 1989, p. A15).

So far there has been little interest in the U.S. proprietary sector on the part of Japan's educational developers. In general the proprietary programs are considered less marketable to Japanese students. Moreover, the combination of an ownership corporate basis and booming profits makes the U.S. proprietaries available to buy into, but only at inflated prices. There are few bargains to be found in the sector.

Meanwhile traditional sources of support for private nonprofit institutions have stagnated. The proprietary sector has received the great majority of new federal aid, and the public sector institutions have made gains in the private sector's traditional corporate and philanthropic fund-raising markets. Under the pressure to grow or sink, private institutions which could do so have financed considerable growth internally. They have completed the decade in a highly restricted position which makes operating deficits a serious concern even for the wealthiest private research universities. As the last fiscal year of the decade closed, the *Chronicle of Higher Education* cited "a hard new fiscal reality" at these major U.S. private universities: Princeton, Cornell, Johns Hopkins, Columbia, even Stanford (August 16, 1989).

By borrowing to build against all manner of internal assets, the private nonprofit sector has been able to split itself more clearly into the rich and the rest, but now both ends must work hard to stay afloat. The prestige universities can still select and control their projects carefully and do not necessarily go overseas just for sources of funds. However, the less stable private institutions must place higher priority on the short-term financial outcomes of an overseas venture.

The public sector in general has experienced a less mercurial financing climate but faces the same need to advance revenues whenever possible. In an era of limited growth plant renewal has become a major problem. Worse, limited growth has meant limited possibilities. All of the institutions in a system or among comparable systems move along at roughly the same pace. Under these conditions creative impulses must contend with the pressures of fixed budgets and entrenched competing interests; projects on the scale of founding a new college have to find radically new sources of funding. An opportunity to grow overseas may be the only major growth opportunity available, especially for the less prestigious institutions, and if it produces new income for the home campus, all the better.

Many of the public institutions have another more direct incentive to launch overseas programs. Open-ended public sector financing formulas which are used in many states to ensure access for their citizens also establish tremendous incentives for growth at the institutional level. Extension operations are particularly vulnerable to headcount formula manipulation because extension costs are marginal but these operations generally are funded in the state budget on an average cost headcount basis. Thus extension program growth provides a public institution with discretionary funds, making it an attractive move at the institutional level. The potential for financial gain includes strong incentives against expenses which support

educational quality, such as providing adequate libraries for an extension site: the more spent, the less retained. These effects are worsened where a state's leading institutions have enrollment caps, leaving the creation of extension operations noncompetitively to the least capable public institutions. Thus, in the public sector also, the less prestigious institutions have placed highest priority on the financial results of their overseas programs.

A Change in Methods. Two 1980s solutions for higher education's problems in the United States have been marketing and creative finance. Both represent the professionalization of U.S. higher education management in its shift toward concerns for the funding of operations. Marketing concepts help shape the institution directly to its sources of funds. Creative financing rearranges tangible and intangible assets for a smoother flow over time. That is the theory. For practical purposes, adopting the two concepts generally means using the long-term resources of an institution to enhance cash flow. These resources include property, research results, institutional credentials, academic standards, debt capacity, and various tax advantages. By the late 1980s the concepts of marketing and creative finance have so permeated both private and public sector institutional management that, to an extent never seen before, virtually every resource in the U.S. nonprofit higher education system is now available somewhere in the United States for the proper price. In the tradition of U.S. patronage for higher education, this posture can be viewed as a series of advanced arrangements for achieving support with certain quid pro quo qualities.

An International View of the Market. For the most part, the auction has been a national one. Up until the recent past, wherever sources of support have involved competitive foreign investors such as the OPEC nations, there has been great sensitivity and even a revolt of public opinion resulting in the exclusion of some sources of capital. Critical technologies have always been restricted, and their restrictions are waived only after much national debate. The most recent round involved a joint military project with Japan. Currently this debate centers on whether or not federally financed academic research projects should be made available to competing Japanese firms.

As the United States seeks a new view of Japan as corporate partner, the research possibilities of educational partnerships are seen as beneficial, even though the "partnerships" tend to involve Japanese capital in exchange for U.S. educational resources. A case for making Japan an exception to foreign exclusions is being advanced now by the U.S. academic research community. Control of foreign involvement is challenged as narrow and impractical by the leadership of institutions such as Carnegie Mellon and MIT, where the endowment of numerous faculty chairs by Japanese corporate donors, at $30 million each, has drawn considerable notice. To paraphrase these presidents: American firms aren't responsive enough to our funding needs and you can't stop the flow of information anyhow; therefore the natural flow of resources to funds should not be blocked by federal regulations (*Chronicle of Higher Education*, July 5, 1989).

The debate over Japan-U.S. technology transfer, which has its Japanese critics as well, at the moment centers at the U.S. federal level fairly narrowly on the regulation of federally funded research projects, but that could

change. Under a multinational concept, national boundaries amount to regulatory settings which are more or less convenient to an enterprise. The main issue from this point of view is defined as a regulatory issue, just as in the current debate. However, for U.S. higher education there is a more serious underlying issue which has not yet been addressed.

An application of the multinational corporate analogy to U.S. higher education is problematic because these institutions are in the nonprofit sector and are organized as public benefit corporations. As such their state and national geographical boundaries represent publics which subsidize the institutions through special legal and tax privileges. The presumption behind the law granting public benefit corporate privileges is that the public subsidizers, as nationally defined, will be the ultimate benefitors from the work their tax subsidies support. Hence, the multinational position taken now by some institutions, maintaining that resources and products of U.S. nonprofit higher education must not be withheld by regulation from the world at large, will eventually come into conflict with concepts of taxpayer equity and legal obligation. The venue for that debate will be the U.S. Internal Revenue Service and the various state legislatures.

These alternative issues are discussed in **Chapter V** of the report. The point to be made here is that U.S. educational involvement with Japan is taking place within a confluence of:

- heightened institutional needs,
- management's methods focused closely on funding, and
- a series of unresolved national issues concerning the international purposes and obligations of U.S. higher education.

Because of this, U.S. institutions are coming into their Japanese ventures as eager but somewhat uneasy partners. Their rhetoric tends to be defensive, their information carefully shared. Yet this is the best new opportunity in years, and so they are proceeding. With this kind of drive but with so much still unsettled in terms of federal and state policy, the new wave of ventures faces a dynamic period of development.

Catalysts and Agents

Into this setting have come certain catalysts or triggering items. First has been the example set by Temple University in Japan. Temple's original motives were apparently financial: "The University was under some serious fiscal constraints at the time, caused, at least in part, by a history of declining enrollments. Temple's President saw a new branch campus as a way to help the University both financially and in terms of enrollments" (Erickson, pp. 1-2). As Temple grew in Japan and helped to meet the home campus' fiscal needs, it was carefully observed, especially in Japan where its politician/owners gave it high visibility. The Temple success (outlined more completely in **Chapter III**) helps explain rapid early development of the Japanese side of the movement: it was demonstrably possible to found a U.S. college in Japan even without Ministry of Education approval. With proper connections, you could just do it.

As a second major catalyst, also having its effect primarily on the Japanese side, on the national political level there came the Gephardt-Nikaido initiative to establish branches of U.S. universities in Japan under sponsorship of Japanese municipalities and prefectures. An excerpt describing the effort's history appears below; more current detail is given in **Chapter V.**

The Japanese Branch Campus Initiative

(Excerpts from "U.S. University Branch Campuses in Japan, A Project Report and Update" by Felix Gagliano. Journal of the Association of International Education Administrators, *Spring 1988, Vol. 8 No. 1.)*

The Japanese branch campus initiative is one of a cluster of ideas that emerged, in the Spring of 1986, as a result of the Reagan/Nakasone U.S.-Japan summit meetings held in Washington, D.C. and Tokyo . . .

One of the several ideas. . . judged most promising at these key meetings was the U.S. branch campus in Japan project. To implement these proposals, a complex administrative/organizational structure was created. On the Japanese side these structures were immediately funded; on the American side limited operating funds have only recently become available.

The USA-Japan Committee for Promoting Trade Expansion (the Committee) was established in April, 1986, by ten Japanese Diet members with Mr. Susumu Nikaido (senior advisor to the Liberal Democratic Party) as Honorary Chairman, and Diet member Mr. Yoshiro Hayashi as Chairman. The U.S. counterpart of the Committee was formed in May, 1986, in Washington, D.C. by twenty members of the U.S. Congress with Richard Gephardt (D-MO) serving as Chairman, and former Governor James Hunt of North Carolina serving as Chief Counsel. In May of 1986, a Japanese secretariat for the Committee opened its Akasaka office in downtown Tokyo under the name of the International Lobby (the Lobby) with Mr. Yusuke Kataoka as Executive Director. To support the Japanese Committee the Conference For Promoting Trade Expansion (the Conference), a group including prominent figures such as Mr. Shoichi Akazawa, Chair, JETRO, and Mr. Chiyoji Misawa, Chairman of Misawa Homes, Co., Ltd., etc., was established by the private sector in Japan. The Lobby serves as administrative arm for the Committee and the Conference.

In June, 1986, the Lobby (acting on behalf of the Committee) publicly launched the idea of Japan-based U.S. branch campuses with several U.S. university representatives in an exploratory meeting in Washington, D.C. held under the joint sponsorship of the Committee and Japanese prefectural and local governments. In July, 1986, representatives of two dozen U.S. universities and colleges were invited to Washington, D.C. to discuss the project. . .

Initially no U.S. administrative secretariat was established in an American counterpart to the Japanese Lobby. . . In the Spring of 1987, a tax exempt U.S. Foundation For International Economic Policy (the Foundation) was created to promote and coordinate the project. . .Voluntary administra-

tive and financial help by interested U.S. universities has been necessary to accomplish such tasks as hosting visiting Japanese delegations and responding to project queries.

At a series of invitational meetings held in Washington, D.C., at Representative Richard Gephardt's call, more than one hundred American universities indicated interest in the proposal, with between 20 and 50 university (and consortia) representatives typically attending. During the late summer and fall of 1986, several American universities sent delegations to Japan on their own initiative to further explore the branch proposal.

Following additional planning meetings, an official delegation (led by Governor Hunt) of nearly 50 American university officials (representing 100 plus universities), visited Japan for two weeks in February, 1987 . . . After plenary meetings in Tokyo, municipal site visits were conducted.

In July and August 1987, delegations from approximately 30 Japanese municipalities interested in hosting a U.S. branch campus visited the United States. After initial plenary meetings in St. Louis, Missouri, the delegates visited the U.S. campuses of their choice.

For all its visibility, the Gephardt-Nikaido initiative has not been the dominant route for building Japan-U.S. partnerships. Rather, it has established an atmosphere of public notice, and within this atmosphere many agents of connection on both sides have found partners, not just between U.S. universities and Japanese universities but across the whole spectrum of postsecondary education and its potential funding sources. Similarly, on the state level there have been state economic development efforts and parallel prefectural efforts in Japan. These efforts have contributed to the environment, but for the most part they have not had a direct effect on the cases either. They have provided a flow of information that leads to action on both sides and amounts to further efforts by economic interest groups urging educational institutions to move forward.

Direct agents of connection range from the casual to the careful. Many of the relationships grew out of existing foreign student advisory networks or academic connections such as relationships between former Fulbright colleagues. Some were based on commercial or economic development connections between regions. For guidance many of the U.S. universities have relied on help from a Japanese national somehow connected with the institution, perhaps as a faculty member, often someone long absent from Japan. The Japanese have tended to rely on someone who spoke English, who had been educated in the United States, or who had direct connections into the U.S. educational or financial communities. The distance to be bridged by these agents has been considerable. One Japanese official explained, "We have to know each other better. . .Our city wants to invite a first-class American university such as Stanford or JFK." (*Japan Times*, May 30, 1987). As the following excerpts show, there has been a great deal of serendipity involved in exploring possible connections.

Agents of Connection

(Excerpts or paraphrases from the interviews and correspondence).

For U.S. Programs in Japan:

A Japanese Businessman. According to a Japanese proprietary administrator: Our owner turned the problem of selecting an American college over to a businessman . . . who had been recruited through a newspaper ad in the *Japan Times* . . . It was just one of his extra ventures; he is a bright businessman who speaks English.

An International Insurance Company. According to an administrator in Japan: The connection between our benefactor and the U.S. college came through an insurance company. The president of the insurance company knew about the college because of some fund raising efforts. He suggested Japan as a source of funds for the college. Then the college got a call.

A Japanese Study Abroad Service. According to a U.S. branch campus administrator: We had a relationship over three or four years with a minor foundation from Japan, which was funded corporately, to offer short term study opportunities in the summer for Japanese students, ESL and culture things non-credit. Then the two foundation directors asked for an intensive English program in Japan, non-credit through our Continuing Ed. Division. We thought maybe sixty students, but it got a large response.

Former Student from Japan. According to a U.S. college negotiator: One of our alumni, a Japanese national, was doing public relations work for a prefecture . . . They had 22 acres set aside in an industrial park for a university and were looking at American universities and at Christian universities. She suggested that they look at us. She came to see us in October of 1987, on a cold call.

Various Japanese For-Profit and Foundations Groups. According to a U.S. university administrator: Since 1986 we have continued to be contacted by numerous groups such as the Recruit Research Center, the Foundation for International Economic Policy, and other groups such as the USA-Japan Committee for Promoting Trade Expansion International Lobby, all interested in seeing us become involved in setting up a branch campus in Japan . . . We have attempted to be quite clear to the various entities that we are not interested.

Sister State Representatives. According to a U.S. university system administrator: The inquiry came in February. We had participated in some of the early branch campus discussions because we were interested in general exchanges but we were being identified in Japan as actively interested in a branch campus. Representatives from our sister-state prefecture assumed we were negotiating and couldn't believe that we wouldn't talk with them. So a meeting was held with them here involving the governor's office, legislative people and the university. Our dean suggested the concept of a Center. We reworked it and in May they asked us if we were ready to go.

For Japanese Programs in the United States:

A Japanese University President. According to the president: Washington State community colleges had approached our university about a possible program. I telephoned a Monbusho (Ministry of Education) official and found that the official hesitated to say that community college credits would be transferred. Therefore I work only with American universities.

A State Economic Development Agent for a Japanese Bank. According to a U.S. college president: The call came from a representative of our state's development agency who said he was calling on behalf of a Japanese bank. He apologized for the timing, said he had been asked to call a number of institutions, and mentioned that $68 million was being offered for control of our college. I took it to the board, of course, and they all got a good laugh over it.

A U.S. Faculty Member from Japan and a Proprietary Owner with Ties to Japan. According to a Japanese proprietary director: The research university connection came through a professor. Our man knew a Japanese woman teaching there at the Ph.D. level; that arrangement has taken a year to settle out and three visits. The other one we're looking at, with the proprietary school, was initiated by its owner whose sons had been educated here.

Pure Chance. According to a Japanese university president: The University had been looking for an opportunity to hook up with a dyslexia school in Boston. The deal with the dyslexia school fell through but in the process I saw the new campus purely by chance, fell in love with it, and bought it.

It would seem that information would flow freely in the presence of strong motives, but as the following points show, this has not been the case. Differences in social customs have made it difficult for some Japanese to sort out the Americans involved in the new educational enterprises. Often title has been taken as a substitute for solid acquaintance. The U.S. system of higher education and its quality grades are not well known and there is not yet a system by which Japanese partners can learn much about them. The information gap in Japan is exacerbated by a scarcity in Japan of analysts trained to study the business and management data of U.S. colleges and universities with an understanding of the data from a U.S. analytical perspective. This area of academic study only now has its first Japanese graduate student. Moreover, Japan's own higher education data is not audit-based, as is comparable U.S. data, and so has not encouraged comparative financial study as training for those wishing to analyze the U.S. system.

Despite all of this, there is more savvy in Japan than in the United States. On the U.S. side, the general lack of information about Japan is legendary. Attempts to overcome it have characterized public and private philanthropy over the last two decades, with the result that there is now a group in each nation that has had experience with the other. It includes scholars of higher education who know and like one another as colleagues. It also includes a

large number of people who have studied in the other country. Many of the cross-over ties are taking place on an informal basis between people who know of one another, or through people who have had a lengthy travel or educational experience in the other country. Therefore some basis exists for broad constructive dialog, once it is begun.

In 1988 the Educational Information Service of the Japan-U.S. Educational Commission (the Fulbright Program, or JUSEC) prepared an information handout for American university administrators interested in establishing Japanese linkages. The listed resources show the scattered and commercial nature of available contacts:

- Some books and reports on Japanese higher education and its U.S. linkages.
- A list of Japanese universities with established student exchange programs.
- The names of U.S. and Japanese associations and agencies interested in international exchange.
- A listing of commercial study abroad advising and recruiting companies.
- A 1987 JUSEC survey of commercial and other organizations in Japan that are involved in U.S.-Japan exchange.
- Commercially published study-abroad books and magazines (a small industry in Japan).

In addition, there are various study-abroad fairs and search seminars promoted by the publication companies or the commercial recruiting agencies.

Other interests have grown out of these commercial activities. For example, one commercial agency has contracted to be the official representative in Japan of the U.S. two-year college association, the American Association of Community and Junior Colleges (AACJC). Contracted activities will include college fairs, free counseling for Japanese students interested in U.S. two-year colleges, promotional activities, administrative support for visiting representatives, and an information center for AACJC members who are interested in bringing their U.S. colleges to Japan (*AACJC Journal*, June/July 1989).

A quite different kind of operation encouraging an information flow in the opposite direction has developed out of one of Japan's publication houses. A group called Academic Transfer, Inc. now involves a publishing company, a bank, a major trading company, an information service on foreign studies programs, an educational placement agency, and an accountant/business adviser. It represents an advancement in terms of educational information over approaches made solely from the banking or real estate point of view. However, it seems to be best situated to handle the needs of clients who would favor those approaches.

Other information routes which have not yet been discovered include the possibility that major U.S. accounting firm consultant services will jump in with yet another kind of advice. These firms tend to rely on ratio analysis approaches designed for analyzing the bond potential of institutions at the

high end of the U.S. university scale; these are the firms' most commercially attractive clients. Consulting charges and analytical methods reflect this clientele. Accounting firm consultants tend not to be educators. Nor are they broadly knowledgeable about the range and purposes of the less well known U.S. institutions. They have little experience in constructively partnering institutions on an educational rather than a financial basis. A development in this direction could be negative in effect.

In summary, the existing and likely routes for information exchange range from serendipity to partial flows of information, some of which include distinctly unattractive features or charge exorbitant fees. The result is that a large number of interested Japanese parties disengage for lack of solid advice, and a large number of American institutions are hesitating or backing away from negotiations begun on some unpromising basis.

The Resulting Partnerships

Of the hundreds of negotiations opened by various agents, information on about 100 potential partnerships has been collected by chance and convenience in this research project; some effort was made to seek information across all educational sectors. **Appendix I** lists the partners alphabetically by the name of a U.S. institution in a potential partnership, and then lists additional Japan initiatives that do not involve U.S. institutions.

Table 1 shows that the phenomenon, although small compared to the size of the overall educational system, is generalized across the sectors. The only major exception is that no involvement by Japanese public institutions has been evident. The reason for this exception may be both historic and financial, and it offers insights into odd imbalances in the quality of institutions from both nations which have been drawn to the new movement.

Just a few of Japan's public institutions have engaged in study abroad programs, perhaps because these programs require discretionary funds. Most of the national institutions receive their funding on a line item basis from the Ministry of Education. Unlike the open-ended, enrollment-based formulas that often support growth in U.S. public institutions, centralized funding policies in Japan have helped to tighten the public system's intake of students. Since the national universities are among Japan's most prestigious, the result has been the virtual exclusion of most of Japan's prestigious institutions from programming that leads to U.S. educational connections, a fact which is significant to the Japanese public.

Public-sector funding in the United States has similarly excluded many of the best public institutions, but by different means. As explained earlier, the existence of enrollment-based financing formulas where a state's premiere institutions face enrollment caps, can have the effect of leaving state-sponsored extension programming to the less selective institutions. This funding phenomenon may account in part for the rarity of U.S. public "flagship" institutions in the new Japan-U.S. movement.

Financial and historical reasons also account for the quality of Japanese private institutions that have chosen to participate in the movement. In

Japan, private universities have had considerable historical autonomy, however, and financial flexibility remains especially strong in the less prestigious institutions which function under a more or less autonomous leader. Hence the ability to fund overseas initiatives from the Japan side emerges primarily among the lesser private institutions. This result is also widely seen by the Japanese audience as an indication of the lesser worth of such programs.

Table 1: Partnership Negotiations by Institutional Type
(Characteristics of the non-random sample listed in the Appendix)

U.S. INSTITUTIONS / JAPAN PARTNERS	municipality	proprietary institutional group	private secondary institution	proprietary group semon gakko	corporation's educational business arm	prefecture	private universities in consortium	private university	U.S. non-profit corp. operating in Japan	foundation	no partner	proprietary secondary consortium	business investors	private junior college	proprietary language chain/juku	regional host committee	non-educational corporation
Public																	
in consortium	●																
2 year system		●															
2 year college	●		●	●	●												
4 year system	●					●											
4 year institutions in consortium	●			●		●	●	●	●	●	●						
Private																	
4 year institutions in consortium	●			●								●	●				
4 year institutions	●			●		●		●	●		●		●	●	●	●	●
Non-Profit Educational Corporation																	
not licensed				●													
registered											●						
For-Profit (proprietary) Educational Corporation				●													
For-Profit Exam Preparation Franchise											●						
Closed Institution							●	●									
Educational Association	●																
No U.S. Partner								●							●		

The Development of U.S. Overseas Education in Japan

For historical perspective, it is useful to compare the new Japan-U.S. events to the development of U.S. overseas programming in general and, in a later section, to the development of Japanese overseas programming. The rhetoric of most of the new American efforts implies cross-cultural interaction—Japanese students eventually coming to the U.S. campus, and U.S. students going to the Japanese campus. Only Temple has had significant success on the first; but even in the case of Temple, as of 1989, only five of its students have gone to Japan. There is a sense that the education of American students is not being advanced by these efforts, and there is a question as to whether this is in fact a serious goal of the new American ventures. Therefore, before looking at the full range of ventures, it will be helpful to look at the forces behind one case for an indication of why there is such an imbalance between cross-cultural U.S. rhetoric and the results.

The story begins in Japan. Japanese students know that credentials count in life. Therefore, prep schools are used to get them into the best institutions (there's plenty of room in the lesser places). Prep schools provide the students with opportunity but they aren't responsible for failing students, because the students have already failed if they haven't gotten into the good universities on their own. This has set up what might be called the Kawaii Juku script: if you can't get into a good Japan institution, go to an American university; it is easy to get into as long as you take our prep courses first. This service has been a business opportunity for the past ten years on a small scale, with recruiters and placement agents forming the bridge between the Japanese preparatory system and the U.S. colleges. The difference now is that the prep schools have discovered that they can guarantee entrance to an American university if they can develop a direct institutional tie, which replaces the recruiting/placement agent part of the system. Now the American university comes into the picture with the authority to say: join here and we'll give you access to degree credit courses. No longer is it just a probability of a student's connecting with a U.S. institution, but it seems a certainty, or at least a probability of a certainty. This is what is now new in the picture.

The University of Nevada Reno International Division in Japan

The University of Nevada Reno International Division in Japan, reported as a Japan foundation and also identified as NIC Japan, Inc., has contracted with the public University System in Nevada, with responsibility placed in the University of Nevada-Reno, to coordinate ESL instruction and admissions articulation into Nevada system institutions, and through a placement service into other U.S. institutions for students selecting this service.

According to the academic coordinator in Japan: The curriculum is all English language instruction from faculty who have the minimum of a master's degree in Teaching of English as a Second Language (TESL) or linguistics or the equivalent. Basically we transplanted the Reno ESL program here on three levels and then modified the program because the levels are somewhat slower here. Part of this is because we teach for 14

weeks here compared to 16 weeks in Reno to achieve 21 credit hours. There are three classes held in the morning and then another cohort attends classes in the afternoon. The intermediate and advanced levels are content-based with an emphasis on English for academic purposes, study skills, and American culture and background, but nothing is written down. Course descriptions were the guide originally, but students determine the levels here. It is hoped that they will be ready after one year. The advertising gives the impression of one year of ESL, but it actually takes longer.

The first group of 160 students have now studied for one year in Tokyo and have gone on to Reno in April of 1989. There they will have to learn on-site more of the ESL program. Levels five and six are taught for academic credit and they are at the 487-500 TOEFL score level; up to six credits may count toward graduation. Others are allowed to move up on recommendation. At the University of Nevada-Reno, 17 have made it into the academic program, and two were recommended to the summer program so that there are 19 in the summer program now. In the fall these students will enter the full program and also receive tutoring services. The other 140 are still in intensive English at levels one, two, and three. Supervised evening study and peer model tutoring are to be used to assist the Japanese students in adapting to the university setting.

We instituted an 80 percent attendance rule in Tokyo because the first year's pace was so slow. The lower levels of students were those who tended to be absent from class. Now we say, apply to our program and apply to UN-R at the same time. Students who apply to us also make a preliminary application to UN-R and its related Truckee Meadows Community College. This preliminary application is based on high school transcript, not on financial or medical information and not on TOEFL scores. Within a week they are notified and conditionally admitted to the U.S. program. Students are admitted to the program only if they would meet the UN-R admissions standards except for the English language requirement of a 500 TOEFL score.

The University of Nevada-Reno wants to take 100 Japanese students per year for a total of 400 over four years. Recruiting is done for UN-R and Truckee Meadows. In the first year, all the students will go to UN-R and in the second year most will go to UN-R, however, this will bring too many students for their goals. They plan to use the Indiana University Placement Service to help place the additional students out into other U.S. institutions. That placement service's Malaysia track record has been great, and it will provide an interesting promotional point for the Tokyo program. This will not be a joint program with Indiana University, but a contract service to help students that the University of Nevada System can't accommodate. In October 1989 that contract will be signed. Many of the students may pass through Reno, but we need 300-400 students in the Tokyo program to make it cost effective, and that's too many for Reno.

The Entity that is doing business in Tokyo is "University of Nevada at Reno International Division in Japan." Our contract stipulates that the academic coordinator be a UN-R person, in this case on leave from the University. The administrative structure is split. We are on the left side and the Japa-

nese are on the right side of the building, and on all issues. Only promotion is done by both. The academic coordinator hires the faculty, evaluates and renews them; the business partners pay the salaries. Someone at the home campus negotiates the UN-R management fees. The financial picture is kept very quiet in Japan. This is because the business partners are preserving an illusion that UN-R is spending a lot of money on this as a way to build prestige for the operation.

In effect, Reno's program is quite similar to the juku-style preparatory school role in the past in terms of staff and business partners. Reno acts as a placement service for a fee as well as offering the necessary prep courses for entering a U.S. institution. Basically, the arrangement relabels a phenomenon which already exists. This relabeling, however, raises the price from Y800,000 to Y1,200,000 or approximately $9,000 per student. At the same time a greater number of students can be sent abroad. Total numbers of Japanese students in U.S. postsecondary education have grown from approximately 10,000 ten years ago to 24,000 in 1988-89. (Kept in perspective, this is still a very small fraction of the three million students served by the Japanese postsecondary education system.) The prep school/placement arrangement which has dominated the flow to the United States can be considered a background against which some less typical patterns have developed.

U.S. overseas education has had a variety of patterns, some of them evident among the new developments in Japan. The general categories outlined below were suggested by an observer at the National Association for Foreign Student Affairs (NAFSA). Case examples have been assigned to the categories from the master list in the Appendix and selected case material follows the outline by way of illustration and as background for later discussions.

1. Branch campuses overseas which are closely associated with the main campus at home but are free-standing overseas (Temple University in Japan, Southern Illinois University in Niigata; case material is given later in this chapter).
2. Bilateral linkage programs of various types.
   a. Twin schools creating a joint research laboratory (Massachusetts Institute of Technology and Nihon University, see case material in Chapter V).
   b. Twin schools offering joint degree programs by meeting dual sets of requirements for the degrees (Sullivan County Community College within the State University of New York and Toyama Keizai Senmon Gakko in Toyama Prefecture; see case material below).
   c. Franchise arrangements applying one school's name and accreditation to some other's instructional program (Phillips University, an Oklahoma nonprofit educational corporation contracting with Mr. Tanezo Yamasaki, an individual; see case material below).
   d. Hybrids, contracting for instruction in one setting to meet standards in the other (Columbia College and the American Universities League in Yokohama).
3. Free-floating institutions which are corporately chartered in the United States but operate entirely overseas, sometimes without accredita-

tion (the new Tokyo International College with its Eureka College and Central Michigan University contracts; see case material below).

4. Foreign institutions offering specific U.S. programs (International University of Japan offering the MBA from Dartmouth's Amos Tuck School; see case materials below).

5. U.S. programs offered by U.S. corporations or the military overseas (University of Oklahoma at Okinawa now open to local Japanese).

6. U.S. programs offered by foreign corporations overseas (Boston University at the Sanyo Electric Company in Kobe, see case material in Chapter V).

7. Networks or consortia offering U.S. programs overseas somewhere under their collective U.S. accreditation, usually with one institution designated as the lead institution (Mid-American State University Association - MASUA - through Southern Illinois University's lead).

8. "Spider plant" institutions which are widely scattered by institutional design. Domestically these include the U.S. proprietary chains and the sites used by accredited national U.S. correspondence institutions (Katharine Gibbs and Berlitz in Japan, United States International University in San Diego, London, Nairobi, Mexico and Osaka).

9. Non-accredited U.S. institutions which are registered in a state but require little besides tuition for the receipt of a degree (Newport University offering BAs, MAs, and Ph.D.s with a branch in Tokyo).

Sullivan County Community College in Toyama

In 1988, Sullivan County Community College in Loch Sheldrake, New York, a member of the State University of New York (SUNY) system, contracted with the Japanese proprietary school Toyama Keizai Senmon Gakko to establish jointly a Business Administration Program. This program would qualify students for recognized diplomas both in Japan and in the United States. Students receive both diplomas by studying for a minimum of seven credits in New York, with the rest of their work taken in Toyama from both Toyama and Sullivan faculty. Students planning to continue at SUNY baccalaureate campuses under Sullivan's existing articulation agreements complete the on-site Sullivan credits before entering an upper-division school.

From an interview with the current head of Toyama Keizai Senmon Gakko, the U.S.-educated son of the original school's founder: What we are trying to do as a small private school is to form an international school with the SUNY system. An American college's Japan campus if it is a private corporation is under no form of Japan government control. Southern Illinois University's program in Niigata is the first to have "accreditation" through a prefecture. We wanted to get official standing as an independent international institution; we wanted formal recognition from the Prefecture. They were not able to give it to us in 1988 (we opened in April 1989). The main reason was that the prefectural government staff did not have enough information about this type of arrangement in a rural area. Most of the prior schools have operated as private for-profit institutions paying taxes. If they gave us independent recognition as a SUNY branch, then we won't have to pay local taxes. But the concern is not so much for the tax but that the Prefecture is worried about too much competition for the same students in this rural area.

Prefectural recognition is somewhat similar to being accredited by New York State. In other states in the United States such as Florida and California, all an institution has to do is register; this is how the diploma mills get set up. However in the prefectures, the control is strict. The set-up is good for control but the perception of it in the public's mind is confused.

At the same time we have to meet accreditation standards within the SUNY system. I wanted an arrangement with SUNY. I wrote a letter to all the colleges but felt that the smaller schools would be the best counterparts to deal with. It was all the same to me whether it was a junior college or a higher institution. I hoped to find someone with the same concept and to find good people to work with.

You see, our student mix will be different from the others. We have started with 70 Japanese students and 16 others of whom five are American students, seven are Filipino, and four are Chinese. Our goal is 50 percent Japanese, 25 percent U.S. and 25 percent other. All are studying business administration except for the courses in English. The philosophy of mixing students from other countries with Japan and U.S. students is something that Mrs. Cuomo (the New York Governor's wife) feels very strongly about. Mrs. Cuomo came for the dedication; I asked for that and was surprised when it happened.

It is important that the dual nature of our program be advertised correctly. But every time we do so we confuse people. Every wording in our brochure had to be checked by the Prefecture with the Ministry of Education, and we have been asked to submit each exact articulation program.

Concerning credits, the Intensive English Program (IEP) receives prefectural credit but not U.S. credit. A student who completes IEP receives a certificate under the U.S. program. The students who are testing at a TOEFL level of 450 are allowed to enter academic courses. Those with TOEFL under 450 are admitted to the IEP. SUNY had wanted a 500 TOEFL at least, but I explained the reality of Japanese learning English. The problem that students have with English is well understood by the government. It is not well understood by the parents of the students or by the high school teachers.

I'm afraid the American colleges here are accepting too many students. If I have 100 or 200 students learning English and then business administration, and then have them all going to the U.S. at the same time, how can one campus accept the range of academic ability represented by those students? Then if one campus is accepting 900 students, how does that work? All of the students will have to study in English there, so they will need good TOEFL scores. At this point, too many students are flunking English or changing their minds or getting frustrated and leaving. Parents are worried and high school teachers will soon cut off the flow of students to U.S. institutions in Japan. This will not hurt the state-side institutions, but it will hurt the Japan sites.

The new campus cost me five million dollars to build. A fund raising effort received $450,000 from local businessmen including $200,000 from my own father, but I had to spend $500,000 for recruiting . . . if I fail in this I can't go home.

Phillips University in Osaka and Kyoto

The Japanese partner of Phillips University is the owner of Kyoto Institute of Technology, a senmon gakko whose owner has ten schools in Japan and abroad. Six are incorporated as profit-making kabushiki gaisha and four are incorporated as foundations. Phillips University is a private non-profit liberal arts college in Oklahoma where earlier financial difficulties had forced sale of the campus to its small hometown. The following information comes from a chronology and other documents sent by the college's president. Excerpts from a visit with the Japanese owner are then included.

In October 1988, the Japanese owner offered to buy controlling interest in the college's Board of Trustees plus the campus for $24 million. The college demurred by offering a transfer articulation agreement and a summer cultural program. Then the owner changed his mind about a U.S. location and decided to launch an American branch campus in Japan instead. During an Oklahoma Trade Delegation meeting with the owner in Japan the week of December 12, 1988, the owner surprised us with architectural drawings for a $200 million campus to be built in Uji City of Kyoto Prefecture to house Phillips University. The agreement signed December 14th stated that Phillips would enter into a partnership to operate a four-year liberal arts degree-granting program at the new campus. By January the Japanese were in the midst of a $2 million advertising campaign aimed at a May 1 opening.

In February it was learned that a for-profit stock corporation was being formed to operate the new program under the name of "Phillips University-Japan". Phillips realized that it could not be a partner under this structure but agreed instead to a management services contract. Negotiations and revisions in the contract continued up to and past April's opening ceremonies, which admitted 886 students to classes at temporary locations in Osaka. It was hoped that a U.S. accreditation team scheduled for late May would extend home campus Phillips accreditation to the Japan site, even though the requirement had not been met that institutions only announce, advertise or operate substantially new programs after receiving provisional accreditation approval. [Full accreditation was granted in June 1989.]

Under the management contract, the Japanese for-profit corporation has responsibility for all the school's expenses including facilities, faculty salary and benefits, advertising, etc. Tuition and fees are collected by the Japan corporation. The owner gets exclusive use of the name "Phillips University-Japan" and its derivatives. Phillips receives 5 percent of tuition revenues based on audited figures. In addition Phillips receives and banks separately in Japan and administers through a separate business office in Japan the agreed-upon costs of the academic programs.

Academic instruction is largely in Japanese by Japanese staff and taught in the traditional Japanese educational format. Year-end student promotion would depend on the student's reaching certain TOEFL levels, but there is no requirement to study in the United States. Nevertheless, Phillips takes responsibility for the staff of Phillips University-Japan as its own employees.

[Of the first year's staff of fifty, only one came from Phillips, plus one administrator.] In its contract Phillips agrees that it would be desirable for the Japanese teaching staff to learn the American educational system.

The Japanese owner explained: There are no tenured teachers, so all the teachers are serious about their work. In the first year there is general education in English. The second year is English and international studies. English as a Second Language (ESL) instruction doesn't cost these students an extra year here as it does in Niigata. This is because Phillips University has a process for accepting credit for all nature of Japanese instruction including ESL preparation for the TOEFL exams. Professional courses are all taught in Japanese, but the ESL program is required by the North Central accrediting association. Under a unique agreement with North Central, to become a senior a student must have a 500 TOEFL score. Students who do not qualify will transfer into the rest of the owner's system and therefore will be able to receive a degree.

Originally U.S. real estate agents had asked if the owner would like to buy one of the collapsed U.S. colleges. He went to America and was taken around by real estate agents, but changed his mind and decided he did not want dead places. He thought it would be better to find a partnership with a live place so that the students could be together. Then he decided not to send his students abroad but instead to educate them in Japan.

His decision to do this was based in part on the fact that (1) the Japan route to beginning a university involves much difficult paper work, (2) there is more flexibility in dealing with a U.S. educational institution, (3) it is easier to get an American university set up here and be accredited in America, (4) he hopes to introduce Japanese ways of teaching management into the American system by founding an American graduate school. Also, his original plan to establish an institution in Japan would have required setting up a foundation. At one point yen going to a university were not taxed, but now tax is put on such funds as a way to slow down the process. Moreover, the instructional building is owned by an incorporated for-profit company. The university borrows the building from the company. Japan law says that a university must own the building in which instruction takes place. An American university is therefore much more convenient to have. The money for his construction comes from his ten other institutions. They were all well-placed within cities and their huge growth in land value has made him wealthy enough to have funds to invest in these two new sites.

The process of reaching partnership has not been smooth. The early agreement was easy but Phillips kept renegotiating. First he had an agreement, but then Phillips wanted more. He has endured and the people of Phillips are now happy. It would have been easier just to have bought the place.

Tokyo International College (TIC)

This name requires some clarification. Tokyo International College (TIC) is incorporated in Washington D.C. as a not-for-profit corporation, but operates solely from a multi-storied building in the Chiyoda district of Tokyo which

bears the emblem "Tokyo International College/Eureka College". TIC is not to be confused with Tokyo American College, the name used by a Los Angeles Community College branch in Tokyo, although TIC originally negotiated under that name. It is not to be confused with a long-established Japanese senmon gakko in the same city named Tokyo International College which has contracts with Oregon State University, Western Illinois University, Boston University, Katharine Gibbs School, and Los Angeles City College (Be Cosmopolitan, 1989). It is not to be identified as Eureka College, according to that college's president, even though its first-year ads were entirely under that name. TIC, in consultation with Eureka College in Illinois, does offer instruction which will be accepted for transfer credit at Eureka if it is based upon a curriculum which Eureka has established for TIC. TIC also is negotiating with Central Michigan University to offer logistical support for instruction leading to a CMU Masters of Science in Administration. According to TIC's president, however, TIC itself is not licensed to offer degrees, nor accredited, nor scheduled for any accreditation review.

According to its president, TIC's history began four years ago when a Korean Japanese in the language school business got interested in using Tokyo property to establish a new venture. TIC's current president had been a scholarship and admissions officer at Eureka College at a time when negotiations began. Later he was enlisted by the businessman to help negotiate the current transfer articulation agreement with Eureka. He then incorporated Tokyo International College in Washington, D.C. independently of Eureka College, with a board of five that includes him as president, three American educators, and their Japanese benefactor. The businessman has no official role other than trustee, but a substantial unofficial role. For instance, he provides TIC with its new instructional building, has contributed several million yen, and his staff has done all of the original advertising work. Now they do the advertising together; the Eureka contract calls for approval in certified translation of everything that goes out.

TIC opened its programs in April 1989 with 157 students in the introductory ESL program, planning on August 1989 for the start of collegiate courses. According to TIC's president, it has been difficult for him to hire faculty. The best ones, he finds, are young drama and philosophy majors who have no formal teaching or education preparation, but he prefers that they have one or two years of teaching experience. He now has eight faculty with B.A. degrees plus one Ph.D., a biologist who is teaching ESL until the academic program begins. There is at least one TOESL-trained person but this, the president says, is a shock to others because the other administrators are really into believing in TOESL training.

As he looks toward the start of his academic program TIC's president hopes for more books beyond the used ones which line one wall, and looks forward to receiving a set of computers which have been donated for his program. He had also hoped for stronger relationships with the other U.S. programs in Japan but has not been able to establish official ties with them. He had wanted to found an association which would encourage quality as programs proliferate but he could not get his fellow administrators to cooperate. The lack of such an association, he writes, "allows, almost encourages, unbridled expansion of American and pseudo-American programs with little concern for academic integrity."

International University of Japan and Dartmouth College

A partnership of the newly founded International University of Japan with its Masters in International Relations, and the eminent Amos Tuck School of Business Administration at Dartmouth College with its Masters in Business Administration, has been launched with strong backing in Japan but with relatively small notice on the U.S. side. It is part of a Japan cooperative businessman's effort to create a supply of upper-level staff with strong English language skills and an understanding of international problems.

According to the MBA program's Japanese administrator: The combination comes at a time when basic forces are in place to build a program. In Japan this is called "the new business." The demand in Japan is immense right now for international people and the funding is there to produce them. We began as an idea of the president of the Industrial Bank of Japan. He started a campaign for a school for international businessmen in Japan and Southeast Asia. He started with the Chamber of Commerce and the three other major business organizations in Japan and had over 900 companies contribute. These are the companies which now wish to send people to the program. With their backing and stature International University of Japan was established in 1982 as the only and the very first institution to be approved by Monbusho (the Ministry of Education) as a diagaku which is exclusively a graduate school. As such we set precedent and have the special burden of doing so.

Monbusho treats a new program like a baby in its beginning. We started with 50 students per year originally in the International Relations program and then went to 100 per year so now we carry 200 students total in that program. The International Management MBA has just started its trial run with 27 and has a target of 50 students for the first two years under Monbusho's approach. Eventually our target is 200 in International Management and 200 in International Relations. Just now 52 percent are Japanese, 48 percent are foreign, including U.S. students. Our ideal is a 50/50 balance. Normally eight of the MBA faculty (roughly half) are from Tuck, and ten are from Tuck this year. But there is a misunderstanding about Amos Tuck in Japan being just a copy of Amos Tuck in Dartmouth. It is not a copy. It includes a large number of foreign students and is truly an international program.

A tour of the campus shows Tuck's combination of techniques and case study being taught by professors from the United States or from Japan but largely with U.S. credentials. The students are a broad mixture of Eastern and Western nationalities. These are adults.

They are set apart in the Niigata mountains 90 minutes by train from Tokyo, dining with the faculty in a cafeteria where violating the English-only zone costs 1,000 yen for professors and students alike. The main complaint, besides deep winter, is that the Matsushita Library and Information Center is not open during the small hours of the morning. Its services include on-line reference sources, large special and general collections, a full set of current periodicals, and the most important recent volumes for studying state-of-the-

art MBA technical materials. Most important to the students, however, are the computing rooms. These are polyglot centers of activity where the groups work together across language barriers, on the machines and their networks, to master "the new business."

Development of Japanese Overseas Education in the United States

Most of the events occurring in the United States seem to originate from forms and forces at work within Japan. They can be characterized as Japanese overseas programs, real estate deals, expanded educational placement programs, credit pass-throughs, technology transfer agreements, and educational experiments involving a number of these features.

In general Japanese overseas programs in the United States have had motivations similar to their at-home parent institutions. For example, for a number of years Kansai University of Foreign Studies has had a branch campus in Hawaii offering a two-year course in American studies for Japanese students along the "bekka" format described earlier in this chapter. This program roughly mirrors a home-campus Asian Studies Program for students from beyond Japan. Similarly, a Japanese juku program of math preparation has found that there is a market for its methods in the United States. Setting up a Japanese program in the United States is not easy, however, if it is to be an accredited program. Either it must meet with Japan's governmental standards for approval in the bekka format or it must be sufficiently Americanized to meet U.S. accreditation standards. Attempts to run a basically Japanese program under U.S. accreditation in the United States have been frustrated by accrediting requirements. When Regis College planned to offer its degree for an all-Japanese program under contract with Teikyo University, Regis was asked to explain how it could control quality for programs it could not monitor or direct.

As in Japan, some of the U.S. events are basically real estate transactions financed on the expectation of having an educational program as tenant. The initiative in these cases may come from banks or from real estate people in either country who know of available property. For the most part, these attempts have involved property which was no longer in use for academic purposes or which was excess to the controlling institution. A closed secondary school in Sweetwater, Tennessee, became a Japanese high school; a closed seminary in the same state could not be sold.

As part of this movement more than 100 applications have been made to Monbusho to establish Japanese high schools overseas, ostensibly to meet the needs of Japanese nationals overseas for Japanese-style education for their children. There is also another source for students, however, which may appeal to parents in Japan even if it involves separating a child from the family. Recently, Japanese higher-education institutions have recognized the fact that Japanese children who are educated overseas do not receive the same style or intensity of preparation that students do in Japan. As a result, students with an International Baccalaureate or those who can pass a special test may be admitted to a particular university which has a quota for admitting a certain number of such individuals. In the minds of many families, if they can get their student into a Japanese-style institution

overseas, their child will get the same educational intensity of preparation but will be judged on a more lenient standard and hence have an increased chance for admission to Japanese universities. This creates the potential for an overseas pre-university training industry.

Educational placement efforts have expanded in a somewhat different way. For years many of the existing Japan-U.S. educational programs have been agreements brokered with U.S. institutions to accommodate a certain number of Japanese high school or college students for a summer or a semester's program. Having such an arrangement is vital to a private school's image in Japan. Some of these efforts involve placement systems for regular college admissions. Normally, the placement broker gets a fee on both sides of the Pacific, and when possible brokers contract for exclusive rights of placement at an institution. Some of these are very large operations functioning independently of any schools in Japan with heavy publicity expenses there; others are pretty much one-person operations.

One change in this pattern is the emergence of the Japanese institution's head as the actor establishing large scale overseas programming, as an institutionalized substitute for the general placement broker. Often this actor is the U.S.-educated son of a school's founder. In the case of Asia University it is a preeminant English-speaking president with an international concept.

Asia University in the United States

(Paraphrased from an interview with the president)

The president of Asia University taught International Relations at Tokyo University for more than thirty years. He found that it was a continued frustration that university graduates in Japan, including himself, could not speak fluent English. He believed that English teaching methods in Japan needed to be augmented by more conversational English. His idea was to involve overseas universities in a special curriculum for his students, the credits from which would be transferred back to Asia University. The special credits would be of value only toward an Asia University degree. Because of the attitude of Japanese companies, he felt that this degree would be more valuable to his students than U.S. degrees would be. As president of Asia University, he held a faculty meeting on the question. The majority of faculty agreed that he should find a recipient university.

He had three preconditions in his search: (1) there should be no narcotics problems, (2) there should be a safe campus, especially for the girls, and (3) there should be few Japanese businessmen in the region. This was because the businessmen's wives would invite the students to their homes and there would be too much Japanese culture available to the students while there. Western Washington University was the first to fit these three conditions. Agreements have now been negotiated with institutions in three other states as well.

The president wanted to have all of his students study in an English-speaking university for one year. He feels that one semester is not enough. The scale of his operation currently is 550 students but he hopes to go to

800 next year or the year after. All of the university's students may now "apply" but they still must ask for this program. He would like to make it required.

On the money side there have been many days spent negotiating. The result is that out-of-state tuition is paid for one semester for the Japanese students. Some new hires were necessary in ESL instruction so that the institution did have some expenses for the program. However, in the case of the Asia University program student TOEFL scores are not required because the special curriculum will respond to that need and to the cultural changes. The key is the special curriculum. The costs come out to $4,200 in U.S. dollars per student including three meals a day, dormitory and travel. Asia University receives the yen from the students and remits in dollars to the institutions.

What has been the effect on Asia University's attractiveness? Their admission cutoff on the national entrance exams had previously been at the 40-45 percent standardized score level. This year it was at the 52-57 percent standardized score level. There has also been an increase in the application numbers from 15,000 last year to 22,000 this year. This is a considerable change. (At 23,000 yen in fees per application, it also brings in a million dollar increase in revenues).

Another change seen now is an attempt by some private schools to buy English-language colleges for their students to attend for study abroad experiences, rather than to count on articulation agreements. Such an investment would give the owners a sound productive use for surplus capital, provide additional educational space for their crowded facilities, provide an instant boost in reputation (increased application revenues alone can be enough to cover startup costs), and achieve a level of overseas quality control heretofore impossible even in long standing articulation agreements. By formalizing the arrangement between source institutions and receiving institutions, prestige is increased, broker fees are eliminated, and special arrangements can be made concerning admissions requirements and finances. Where the students return to a Japanese institution for their degrees, this is symmetric with a U.S. college's study abroad programs, except for the attempt to purchase some level of control.

In a different version, the student is not seeking study abroad as part of a Japanese degree but is looking for smooth placement into the U.S. system for a U.S. degree. What is new in this placement model is an attempt by placement brokers to buy some level of control of U.S. institutions, so that normal TOEFL, academic, and numerical barriers to large-scale placement operations can be set aside. Under this scenario, Japanese students would pay the going Japanese rates of $9,000 per year in tuition, plus substantial application fees, to an owner/broker who would pay the American institution at its subsidized below-cost rate of, say, $5,000 in tuition. Students would be responsible for room, board, and transportation. The Japanese family willingly pays this built-in premium rather than seeking direct admission for their child to the U.S. institution, because years of English language instruction are eliminated and they can still be assured that their child's educational path will be a controlled and reliable one.

The financial incentives in this picture are powerful. With 1,000 students, such an arrangement can yield its founder four to five million dollars per year in tuition and fees. Purchase offers on U.S. colleges have varied upward from five million dollars. Therefore, even without surplus capital, if a bank will underwrite the purchase of control it takes only about 100 Japanese students to break even on the purchase of a small U.S. campus. Banks in Japan would consider this a preferred mortgage situation. As a result of these financial incentives, virtually all private college presidents in the United States have received an invitation to sell control of their institutions for varying prices. Most have chuckled, some have been offended, and some have found a pursuable opportunity. One case which began in this direction turned into a straightforward real estate transaction. For Warner Pacific College and its Japanese partner, the pretext of educational enterprise was set aside after months of negotiations, to the relief of both parties, leaving them with a mutually beneficial refinancing agreement based on interest rate arbitrage. There is no educational program or exchange, just a mortgage and a lease.

Warner Pacific College and GEOS

GEOS Corporation, formerly AMVIC for AMbitious VICtory, is said to operate between 70 and 90 English language schools under the ownership of a private businessman with property now in Australia, London, and Europe. Warner Pacific College is a small church-related liberal arts college with a fifteen acre campus built next to a city park in Portland, Oregon. A spokesman for the college writes as follows:

Early conversations envisioned a new joint educational program emerging from the relationship. As the months of negotiations (and mounting legal fees) wore on, it became obvious to both weary parties that the financial and property matters should be resolved first.

The concluding documents provided that Warner Pacific College would allow GEOS Corporation to purchase and lease back to the college land and buildings equal to 49 percent of the appraised value of Warner's property. The purchase price was $4 million.

In addition, GEOS would lend $2 million, secured by a first mortgage on other campus property. Under the agreement, the only thing GEOS can do with the property is lease it to Warner Pacific College so long as lease payments are on time, so the college retained constant possession of the premises. After thirty years, the college has the right to buy back the entire leased property for one dollar.

GEOS gained two important benefits. First, the rate of return on the money is considerably higher than is possible in Japan. Second, there is marketing advantage in mentioning that GEOS Language Schools have a campus in Portland, Oregon, in connection with an accredited American liberal arts college. (One of the popular TV shows in Japan two years ago was "From Oregon with Love.")

Warner Pacific gained two important benefits. First, the rate of interest on the money is considerably lower than is available in the United States. Second, the college was able to refinance major short-term debt in quite favorable long-term obligation, and greatly strengthen its economic stability by cutting the debt service payments in half.

The bylaws of the college determine that all the Regents must be Christians. The Regents comprise the chairperson, vice-chairperson, secretary, and treasurer of the Board of Trustees, plus the president of the college, plus five other members elected by the Board of Trustees. One of those five is a representative of GEOS. This gives GEOS a monitoring position with the Regents for the duration of the agreement. The Regents have financial oversight and responsibility for the management of the college, and for general promotion and public relations; they do not decide any matters of policy, which is reserved exclusively to the Board of Trustees. The Regents are prohibited from changing the mission of the college, or its administration. The agreement, which was signed in Tokyo on June 7th, is to be construed according to the laws of the State of Oregon.

I have received numerous phone calls and letters from hopeful presidents, fund raising consultants, real estate brokers, prospective teachers, newspaper and magazine reporters, and talk show hosts. . .wanting to discuss our experience with the "Japanese Takeover." It should be plain to anyone who reads the foregoing carefully that there has been no "takeover". We have not sold the "college". . .We have sold some property for a mutual advantage, and secured a loan. We hope it will be possible to develop some international programs in the future, but the agreement does not require it. We also hope to have some additional international students, but the agreement neither prohibits nor provides for them.

For Warner Pacific, the "educational takeover" turned into a sale-leaseback refinancing package, but it started as a Japanese language school bidding for control and access to U.S. credits. A variation of that incentive structure can be found among U.S. institutions that serve as pass-through credentialers for Japanese instructional credit. Under these arrangements, the American institution decides to recognize credit for instruction in Japanese by a Japanese institution, and perhaps also for instruction in ESL. The receiving institution asks its faculty to review course curricula and sometimes to design curricula which will be offered in Japan. Without direct control over the instructional setting, the U.S. institution agrees to accept students transferring to the U.S. institution and grant them full U.S. credit. The Japanese institution, which may have been founded solely on the basis of this arrangement, then recruits students using the name of the U.S. institution. It is understood that many of the students will stay at the receiving U.S. institution for only a semester or so to validate their U.S. transcripts before moving on by transfer into the rest of the U.S. system. The U.S. institution receives a flow of students at its regular rate, plus a fee of some sort for its services and name. Variations range from situations where some level of academic control is exercised by the U.S. institution, to cases where the entire program is offered in Japan under Japanese proprietary standards and labeled with the U.S. degree.

In two cases, the development of Japanese programs in the United States represent educational experiments on the part of established Japanese universities. In founding Keio Gijuki New York Gakuin in Westchester County, Keio University has made one of its features the fact that students who attend the high school in Westchester will be admitted to Keio in Japan, one of Japan's most prestigious private universities. This makes the institution so attractive to Japan-based families that Keio has had to limit access only to students who have been abroad for at least two years. Keio is also able, on the basis of this promise, to charge substantial tuition for support of an experimental curriculum which blends teachers and features from both nations. Perhaps the greatest benefit of the policy is that with such a guarantee (commonly made within clusters of university-related institutions in Japan) students can forgo rigorous preparation for national exams and give themselves over to the experiment.

The Resulting Range of Educational Programs

Table 2 shows types of educational programs that have been launched or have been under consideration during the recent period. Very few are designed for U.S. students who wish to study in Japan. Most U.S. students who are headed for Japan Studies continue to find their way into established Asian Studies or Japan Studies programs in the United States or Japan, often using traditional junior year abroad agreements for a Japan on-site experience. The new movement's flow is almost entirely of Japanese students to U.S. educational programs or to U.S. sites for Japanese programs, with the Japanese student learning enough English to function at the level required by a particular program.

Table 2: The New Partnership Programs by Academic Content
(Characteristics of programs listed in the Appendix)

English as a Second Language (ESL)
- ESL only, in Japan
- ESL only, in the United States
- ESL plus an admissions channel to U.S. institutions
- ESL plus preparatory work plus multiple admissions channels to U.S. institutions

ESL and Academic Credit Programs in Japan
- ESL plus two years of general education transferable to a U.S. campus or system B.A. program
- ESL plus two years of academic instruction leading to community college Associates degree, all in Japan with transfer assistance to U.S. colleges
- ESL plus less than two years of academic instruction transferring to a U.S. community college and then into the state system, and leading to a Japanese degree also
- ESL plus less than two years of academic instruction transferring into a B.A. program in the United States without an Associates degree
- ESL plus three and one-half years in academic instruction in Japan, plus one-half year in the United States leading to a B.A. from the U.S. college
- ESL plus four years and graduate study all in Japan or optionally with some work in the United States
- ESL plus academic work combined in a four year B.A. program all in Japan with instruction in Japanese

Table 2: The New Partnership Programs by Academic Content
(cont.)

Japan-U.S. Transfer Articulation Only
- Transfer with less than two years of academic work into Associates program in the United States
- Transfer with two years of academic work into Junior status in the United States
- Informal transfer agreements

U.S. Graduate Programs in Japan
- A four-summer Master's degree program with instruction in Japan and the United States, in English
- ESL plus a Master's degree
- Master's degree in Teaching of English as a Second Language (TOESL)
- Master's in Business Administration with instruction all in Japan in English
- Master's in Business Administration with instruction in Japan and in the United States in English
- Master's in Business Administration with instruction all in Japan or electively in United States also, in English
- Master's of Science in Administration all in Japan in English
- Various short programs or specialized agreements

Japan Studies Programs for U.S. Students
- Joint research laboratory co-sponsored by U.S. and Japan universities, in Japan, working primarily in English
- Japan or Asian studies programs for U.S. students at U.S. branch campuses in Japan, mainly in English
- Japan business studies for U.S. students, in Japan in English and in Japanese
- International office/secretarial studies, in English
- A Center for Asian Studies in the United States, in English

Japanese-style programs in the United States
- Juku-style Japanese instruction in math for U.S. students
- Japanese high school
- Japanese Junior college
- Part of a Japanese collegiate program conducted by a Japanese institutions under Japan accreditation
- Part of a Japanese collegiate program conducted by a Japanese institution under U.S. accreditation
- Part of Japanese collegiate program, conducted by a U.S. institution for transfer to a Japanese institution
- Japanese collegiate program under Japan accreditation
- U.S./Japan pedagogically mixed college
- U.S./Japan pedagogically mixed high school
- Japan institution in United States built as a coordinate college with a U.S. institution
- Japan university research institute

Unless there already is an established international studies program of some sort at a Japanese partner institution, a U.S. partner asking for Japan Studies programs to help reverse the flow will find that there are not enough offerings available in English to support one. Their U.S. students, unless fully committed to becoming Japanologists, are unwilling to learn enough Japanese to function in non-English classes. Courses conducted in English at the new U.S. branch campuses generally are not at the level the students would need, unless courses are mounted specifically to serve U.S. students from the home site. Unfortunately, building a new program in Asian Studies or Japan Studies of the depth and stature of those already available would take resources beyond those incidentally available within the new partnerships. As one U.S. branch campus administrator explained: "We can't compete with the very good established programs. The only students who would come here instead are the students who don't know better, the ones who are tracking into our system from relatively unsophisticated backgrounds so that they don't know what's available elsewhere. Besides, most of our home-site students come from very modest homes. Even if they wanted to go to Japan, most of them couldn't afford it. Maybe you can find ways to get some of them here, but I am not convinced that this is the right thing to do."

A unique solution to this educational problem has been found by Willamette University and Tokyo International University. They have cooperated in establishing a U.S. branch campus of Tokyo International University adjacent to and coordinate with Willamette. The two universities remain separate entities which offer degrees recognized in their respective countries, but they run a highly mixed coordinate program which encourages students from both countries to study the other's language and culture.

Tokyo International University of America

Tokyo Kokusai Daigaku (Tokyo International University or TIU) is a private university in Kawagoe City founded in 1965 by the owner of a large Tokyo examination prep school, as an alternative for good students who were not passing examinations into their first choice universities. Tokyo International University has contracted with Willamette University, a private non-profit college in Oregon, to develop Tokyo International University of America (TIU-A) as a TIU branch campus in Oregon. Tokyo International University of America is an incorporated nonprofit institution in the State of Oregon. Willamette's liaison officer explains the history behind TIU-A:

Our relationship with Tokyo International University goes back to 1965, when the founder and president Taizo Kaneko contacted a number of colleges and universities in the western half of the United States to set up a sister university relationship. . .

Since 1966 students from TIU have been coming to Willamette at least once and often twice a year. Summer programs were normally of three or four weeks duration and the spring program was a seven to eight week introduction to American Heritage, politics and economics. To date over 1,000 students from TIU have attended Willamette University and studied at this in-

stitution, and several hundred of our students have studied on the campus of TIU. It has been a mutually rewarding and beneficial relationship to say the least...

In addition to student exchanges, we commonly have faculty exchanges where Willamette faculty teach in either of the two campuses in Japan and Japanese faculty teach our students. Our most recent addition has been joint research programs, the results to be published in both countries. . .

In late 1986, six and one-half acres of property contiguous to Willamette University were given to us, and a group of us set about deciding what we would do with the property. Perhaps the first thing that came to mind was to have TIU build a campus on this property as a sort of joint venture between the two institutions. It seemed a logical extension of the excellent relationships we have already enjoyed since 1966.

To make a long story short, Tokyo International University of America (TIU-A) has started [on land sold to TIU and scheduled for an $8 million building program.] Currently sixty students are in attendance in a building that was completed in near record time.

In 1990, 128 students will be coming and in 1991 or 1992 approximately two hundred students will be coming to the TIU-A campus. Willamette University is responsible for teaching English composition, conversation, etc., American literature, American history, American politics and American culture. Our students who qualify (we offer four full years of Japanese plus history and culture courses) are able to take courses in Japanese from the Japanese professors who are also teaching courses to their students. The university provides library facilities, recreational facilities, meeting rooms and the TIU-A students also belong to the Willamette University student body so extra-curricular and co-curricular activities are also available to them...

To further integrate the two campuses, one-half of the students who come to TIU-A will live on the Willamette University campus and an equal number of Willamette students will live on the TIU-A campus. Some of their courses will be taught on our campus and some of our courses will be taught on theirs. It is important to point out that the two institutions are, indeed, separate entities; yet they are highly integrated.

Tokyo International University of America is an incorporated not-for-profit institution in the State of Oregon. It is also recognized by the State of Oregon as an independent institution whose courses will transfer to various colleges and universities in the State System of Higher Education. It is not, however, accredited by the Northwest Association of Schools and Colleges or other like bodies. It is their goal, ultimately, to receive this type of accreditation in the future. There are certain problems, however, that may make this a difficult task. Administratively, the two institutions are completely independent. We have our own budgets, our own Boards of Directors and completely separate funding programs. Although called a "University," TIU-A currently consists of one college which is run by the dean who in turn reports to the president of TIU.

TIU-A contracts with Willamette University for services we provide, including the following:

- Faculty to teach ESL courses,
- Faculty to teach courses in American literature and history, political science and American society,
- Campus safety and security
- Campus maintenance and housekeeping
- Use of some of our educational and recreational facilities on the Willamette University campus (e.g., library, student center, physical education activities, etc.),
- Communication system (i.e., telephones, computer services, mail distribution).

The Dean, Director of Studies and the Director of Administration of TIU-A meet with the Dean of our College of Liberal Arts, the Faculty Chair of academic matters, the Director of our ESL Program and myself on a bimonthly basis. The purposes of these meetings are to make certain that their program is going satisfactorily and to make plans for modifications and enhancements in future programs. Again, due to our long standing relationship with each other, we are able to speak very openly and frankly about problems and potential opportunities that might come up.

Tokyo International University of America represents many of the elements seen in the prototypical Japanese development leading to the founding of a U.S. program: First, a teacher founds an examination prep school to help students get into Japan's top universities. Then he founds and heads a private Japanese university as a way to accommodate the prep school's less successful students. This enhances the prep school's reputation and value. The founder develops his new university along an international theme, through student and faculty exchanges with a U.S. college on the west coast. This enhances both the Japanese university and its feeder prep school, which he still owns. Within the next generation there is an opportunity to acquire land and build a small campus related to the U.S. college. Buying land is a good investment as long as it has a supporting tenant, since land will grow in value. In addition, by contracting with the U.S. college he is able to supply much of his new campus's needs by using the U.S. institution's facilities and programs. His son becomes president in the United States assuring operating control. Accreditation of the new institution in either country is not necessary, because credits will be accepted through the reputation of the U.S. college into the U.S. system, and at least some of them can be transferred back to the university which is controlled at home. English is taught as part of the U.S. credit program, saving the Japanese student the uncertainty of lengthy TOEFL-oriented study prior to entry into the U.S. system. Property acquisition cost to the nonprofit Japanese university can be financed at relatively low interest rates in Japan and supported by increased application revenues for the enhanced home institution. In addition, the increased attractiveness of the feeder prep school provides financial benefit to the founder.

Success for this prototype pattern depends on how well the founder/owner/president can negotiate for the timing and control of academic, financial, and intangible elements necessary to establish the flow. Negotiations will be the subject of the next chapter.

III.
Negotiating Finances and Control

Once two or more parties have decided to launch an educational venture together, their next concern will be for its financing and control. Especially if educational quality is a secondary objective, these will become the central issues for negotiation. **Chapter II** shows how partners in the new Japan-U.S. educational ventures have been finding one another and deciding what kinds of programs they will attempt. This chapter illustrates how they have apportioned the risks and profits of their enterprises and designed ways to share their control. Over the long term, control is the main issue, because profits and risks depend on how the enterprise is managed, with renegotiation under the ground rules for control becoming a continuous process.

Apportioning Risk and Benefit

In the great majority of cases, the new educational ventures are considered to be risky but potentially highly profitable undertakings, either in terms of direct financial projections or in combination with important and useful intangibles. Among the limited number of cases studied there was none in which the venture was expected to be an act of pure institutional charity undertaken simply as a contribution to a worldwide educational mission. This is in contrast to the earlier U.S. church-related educational foundations in Japan. In the new movement, commitment to internationalism was often present, but in every case studied, these programs were expected to make money in the long run.

This was true whether revenues were to be from application fees, tuition, contracts, research results, privately owned related enterprises, or "no strings" gifts. Net revenue for the project to the partners was expected to be positive over the long run at some reasonable level of risk. Under this assumption, contract negotiations were undertaken to divide the levels of investment, distribute the timing of the estimated costs, payback, and profit, and to assign (or leave unassigned) the various risks involved. Because the contracts often were vague on important points of risk, many of the new arrangements will be better suited for sharing success than for scaling down their expectations if projections turn out to be too high.

Financial details for the cases studied are included with the short case histories to the extent available. For the most part, this kind of material was considered confidential, to be shared only in terms of the general arrangement; often documents were contributed with dollar and yen figures blackened out. One notable exception was the U.S. public institutions, which

operate under public disclosure rules. However, even that level of candor could not provide the complementary picture of where that institution's Japanese partner received funds or assigned profitable contracts, such as leases. These matters were private. Sometimes, in private, an administrator would share details with a trusted colleague. However, uniformly the U.S. institution itself did not have a clear and complete picture of the flow of funds on the Japanese side of its partnership.

In general, the U.S. institutions launching programs in Japan have taken a low-risk, modest gain posture. Often their contracts assign them a continuously flat or modestly scaled income flow, plus minimal property involvement at little or no marginal cost over the short term. Capital responsibility and the investment potential of growing enrollments or real estate values, along with the attendant risks, generally are retained by a Japanese partner. If a Japanese partner already holds the real estate, however, and can shift operating risks into related educational satellites, there is little to be lost if the property's new U.S. educational tenant stays only for a few years. In fact, there is much to be gained if new property can be acquired, leased, or financed as an educational establishment.

There were two exceptions found to the predominantly short-term low-risk U.S. financial commitment in Japan. One was Stanford University in Kyoto, which was established as a fully owned subsidiary of the home institution. In the second case, United States International University of San Diego received assistance from Osaka Prefecture for building its own campus with its own money in Kishiwada City. Kishiwada City is expected to free up land for the institution, and an endowment will be raised from industry and government, to be claimed by the school after 25 years in a provision similar to the Japanese national government's example of giving land to a new university after 30 years. By owning the land and financing the campus on a 25-year basis, the San Diego institution acquires both the long-term risks and the real estate rewards of the venture. In return the prefecture and municipality achieve a longer-term commitment from their U.S. partner, at relatively little cost. This case was different from the predominant pattern in Japan, in which the Japanese partner arranges to rent, lease, or finance educational property development in expectation of large long-term gain, based on tenancy by a participating U.S. institution, to which it guarantees modest short-term gains.

This investment pattern was mirrored by the programs which are being launched on the U.S. side. Whether the Japanese partner is a business investor, a placement broker, an educational enterprise, or a Japanese university, the arrangements being sought involve the purchase of collegiate real estate or its potential control. The U.S. institution receives consideration for the property and sometimes in addition a modest ongoing stream of income for services provided. The exception to this model in the United States is Asia University's contract for access to the U.S. institution's property, but only as a site for a specific program to be serviced under contract by the U.S. institution. It has also been discovered that purchasing control is a sufficient substitute for purchasing property.

The Legal Basis of Control

Before discussing the various models for shared control over the new Japan-U.S. ventures, it is helpful to review how control is authorized and practiced for educational institutions under each nation's law.

In Japan, national rules of establishment define the authority and control of the traditional higher education sector of *diagaku* (universities) and *tanki-diagaku* (junior colleges). National rules of establishment for technical-vocational types of postsecondary institutions are somewhat less strenuous. Nevertheless, each type is a school entity legally defined as *senshu gakko* (specialized training schools including those with advanced courses, called *senmon gakko*), or as *kakushu gakko* (miscellaneous schools for practical and vocational education, a broad collection operating at the postsecondary level).

In addition to this system of school entity institutions, there are a large number of instructional settings that are not school entities. Most prominent are the *juku*, which are privately owned profit-making enterprises. Juku offer national examination preparatory courses, nonacademic enrichment courses, and a myriad of English language instructional programs. This multi-billion dollar industry includes everything from one-room tutoring operations to major corporate chains. (Leetsma et al, p. 5-11).

The *educational foundation* functions in a role somewhere between juku and the school entity. *Zaidan hojin* are juristic persons according to the Civil Code. They are nonprofit organizations whose purposes are rites, religion, charity, education, science or art, etc. They are established with some restrictions from the Ministry of Finance because these hojin receive tax-exempt status. Zaidan hojin for education are under the jurisdiction of the Ministry of Education, Science and Culture, also called *Monbusho*. They are not able to manage formal schools. The organizations which manage formal schools are *gakko hojin*, or school juristic persons. Gakko hojin are juristic persons according to the Private School Law. They must have schools, and to erect schools they must meet relatively objective standards. Monbusho oversees universities and junior colleges and the school juristic persons that manage universities and junior colleges. Other types of schools, including *senmon gakko*, and the school juristic persons that manage these types of schools are overseen by prefectural governors. A zaidan hojin foundation is easier to establish than is a gakko hojin juristic person. It can conduct many of the same educational functions as a school entity but it does not need to hold property. Upon dissolution the assets of such a foundation, which without property can be inconsequential, pass to another foundation or to an entity under Ministry supervision.

In the Japanese system as in the United States, the public purposes of foundations are protected from use for private benefit, but in some cases the relationships can be quite fluid. Apparently, the relationship between juku and educational foundations is a place where this can happen. In one of the cases studied, a Japan proprietary partner institution first had been set up as an educational foundation with two vocational schools belonging to it. Then they dissolved the foundation and one school, while the private owner purchased the other school and began looking for a U.S. partner.

In several of the cases studied, privately owned and operated juku were closely associated with educational foundations or with school entities operating at either the secondary or the postsecondary level. Together these various corporations formed feeder clusters with cooperative staffing and admissions policies which were mutually beneficial to the school entities and to their associated private juku owners. Apparently it is not unusual for these clusters to seek the establishment of a more prestigious-level school entity institution within the cluster in order to enhance the drawing power of all cluster members. Hence the founder and president of a nonprofit school entity frequently is also the owner of a series of related for-profit schools. It is understood that operating and financial distinctions are to be kept as convenient as possible. This practice may lead Japanese educational developers into making similar assumptions about how control and cooperation works within the U.S. system.

The United States also has a very large sector of noncollegiate career schools. Three out of four of these (over 5,000 schools in all) are private proprietary schools operating under the laws of for-profit incorporation (*Change*, January/February 1987, p. 129). The public and private collegiate sector, on the other hand, is organized entirely as not-for-profit. The private educational institutions are all chartered under a specific category in state law as charitable, public-benefit corporations (*Phelan Nonprofit Enterprises*, 1:01). Most public higher-education institutions are legislated into existence as agencies of the state serving public purposes.

U.S. laws of establishment for private educational institutions vary by state but generally follow the national model nonprofit corporation act (see *Phalen Nonprofit Enterprises*, 1:09 - 1:63,) which assigns control to an independent board of trustees, then defines and limits its fiduciary authority in significant ways. Boards that exceed this authority can be removed by the courts. Some additional national consistency is supplied by federal tax laws for tax-exempt organizations, which affect all the private institutions uniformly. These laws are discussed in **Chapter V**. U.S. public institutions function under a great variety of board governance structures which separate them from direct legislative management. Each state defines its own system of control and establishes limits on the authority it gives to its various governing boards. Thus the public institutions function under limits particular to the educational system of their state, as well as under limits which apply to all agencies within the state.

It is a characteristic of the U.S. system that the authority granted by the state insulates the higher education system both from direct political control and from direct private control. For both public and private U.S. institutions, state imposed limitations on authority are particular about insulating the institution from undue influence by or benefit to private individuals or for-profit entities. In general, the authority granted by the state is an authority to operate separately from the state, but fiduciary to the institution in the interest of the public's benefit. All other business must be conducted within an "arms-length" posture which presumes an adversarial bargaining relationship with all private interests.

One result of this approach has been a clear split between the nonprofit and the for-profit educational systems in the United States. Another result is that

control of the nonprofit institution cannot be bought or sold, whereby the proprietary institution can be sold in whole or through shares. A third result is that the Japan educational developer seeking control of a U.S. college faces a wide variety of restrictions which differ state by state but which are based on concepts separating public and private benefit in ways that may be more rigid than those to which the Japanese are accustomed at home.

The exception is the U.S. proprietary institution. In the U.S. proprietary sector, arrangements for control can be negotiated on a strictly business basis. Everywhere else, provisions for shared control must be negotiated within the governance structures that have been established under state and federal U.S. law and by academic traditions functioning within that law. This will be true whether the U.S. institution is operating in the United States or overseas. Operating control of the U.S. institution rests with the board of trustees and, under its authority, with the president and the college's administration. So far, arranging to share that control either in the United States or in Japan has meant finding ways to divide authority at either the administrative or the board level, unless control is restricted by contract to a particular project.

Split Administrative Structure

For U.S. branch operations in Japan, the most common administrative structure splits academic and fiscal responsibilities between the U.S. institution and the Japanese partner—as in Reno's case, academics to the left and finances to the right. This concept impresses the new institutions with U.S. higher education's belief that academics and finances can function separately in the institution, one being visionary and sacred, the other being professionalized. A similar tradition divides the Japanese academic world sharply into functions of the faculties and those of administration, except when a founder is still gathering an institution's resources and setting its vision. A split between academic vision and funding does not exist in Japan's proprietary institutions. There faculty are considered employees directed by the owner/operator for the purpose of educating at a profit.

For many of the Japanese partners, establishment of a U.S. program places them in the role of founder. In that role, vision and finance are embodied in one person as affective and reflective sides of the same act. For a founder it may be unnatural to turn over half of the act to strangers from another country. Nevertheless, U.S. partners insist on retaining academic control, if necessary by separating it from the financial arrangements. This is explained as necessary due to the U.S. accreditation requirement that a U.S. institution demonstrate administrative direction of credit-bearing courses. However, the concept of separation is backed by a shared U.S. belief that an institution's "real" function somehow can be separated from its money matters.

Within the single institution, either in Japan or in the United States, the reciprocal relationship between funding and program quality is argued annually through a budget process that splits resources available within a single entity. In the new joint ventures a problem arises when two separate entities share control by splitting operations along these conceptual lines.

The split functions adequately where both sides happen to be dedicated to the same basic purposes, as they are within a single institution. It does not function well if the split places philosophically disparate partners into an adversarial position. Temple University in Japan and Southern Illinois University in Niigata were the charter institutions to adopt the split administrative structure, the one with a Japanese business partner and the other with a Japanese governmental partner. Their stories illustrate how institutions attempt to grow under this arrangement. Because Temple University has served as the prototype in this form, its case receives extended treatment here; Southern Illinois University's case is also given at length, at the end of this chapter.

Temple University in Japan

Temple University Japan (TUJ) is run by a for-profit Japanese corporation named Temple Nippon, Inc. Temple Nippon contracts for educational services with Temple University, a private nonprofit educational corporation with state-related status in Pennsylvania. The current board of TUJ, which is composed of Japanese nationals, is the university's second Japanese partner. Even though the board includes a former Minister of Education, TUJ has made a conscious decision not to seek any of the forms of recognition available at this time from the Ministry of Education. Therefore, since the for-profit corporation is not recognized in Japan as a school or university, the Ministry reportedly requested that its diplomas read "Temple University Japan" instead of "Temple University." However, the diplomas of TUJ students do read "Temple University," and are identical to diplomas awarded to students who take their courses on the university's main campus in Philadelphia.

Temple University Japan as of the time visited had about 1,800 students. It offers a preparatory ESL program involving approximately 820 new students in spring of 1989. Upon successful completion of the ESL program, half of these students move on. They can go to Temple University in Pennsylvania or go to other institutions, or they may continue in the academic program in Tokyo. The TUJ programs are ESL; Associate degrees; Bachelor's degrees in English, history, political science, American studies, general studies, and economics; and graduate courses enrolling another 150 students in an M.A. program in economics, an M.Ed. in TESL or an Ed.D in TESL.

The excerpts given below are from a paper presented in 1988 by Temple University's Vice Provost or are paraphrased from interviews.

According to the dean in Tokyo: Our original partner was an individual who had been sending Japanese students to Temple for years. We checked his background from the States and he was said to be O.K. but over here he was found not to be O.K. The Ministry of Education alerted the American Embassy and Japanese reporters also had the story. Therefore, we wanted to disassociate ourselves from him but he had collected the yen tuition and we never got that back. Of course, the man did have some start-up purchases and so it is not clear exactly how much was owed to whom. We then had a temporary board for six months and then moved on to our permanent board.

From the vice provost's paper: This is a university based on the same academic principles as any American university, but its structure and to a large degree its culture, will be entirely different. In the first place it has its own Board, composed entire of Japanese nationals and comprising the major investors in the program. This board has full fiscal responsibility. They are responsible for the collection of tuition and for paying the full cost of the program including the cost of instruction...

At the same time, Temple University is solely responsible for providing and maintaining high quality American undergraduate and graduate educational programs. I say American, because our programs are very different from those in Japan, where curricula are rigidly controlled by the Ministry of Education and where undergraduates, having studied very hard to get admitted to Japanese universities, spend most of their college years playing rather than studying. Our Japanese students are constantly amazed at how hard we expect them to work.

This split between academic and fiscal responsibility makes for a very difficult set of reporting lines and for constant negotiations on who controls what. This is especially true when we realize that while we insist on our essential "American" aura, we operate in a very different culture, and one that alternates between a fascination and a distrust of all things American. . .

Profit is clearly not the motive of our board in Japan. At the present time they have made large investments, they have yet to realize any profit, and they are about to make further and larger investments in a new campus. . .

Up to this point Temple's motives have been largely short-term. It is with the possibility of greatly expanding the campus that we have come to examine our longer-term motives.

According to the dean in Tokyo: Fund raising is difficult because we are a for-profit corporation and therefore the donor receives no tax benefits. We are a for-profit corporation because we do not have a building to dedicate to the institution to meet the Monbusho requirements. Instead we have a long-term lease. This is the third location which has been built for Temple University Japan to lease. We are unable to buy our own property instead of leasing it because tax on capital gains for a seller in Tokyo would be prohibitive.

Our sponsors are officially a for-profit firm but they have made no profit until last year, and now they are paying off the debt. Approximately 80 million yen was the original liability assumed by the corporate partners. That tripled over time as the institution was launched. Next year they expect to make a profit but the year after that the lease deposit will have to be borrowed again, and they will be back in debt. The chairman of our board does not intend to profit personally and would have preferred nonprofit status. However, just to be a non-profit corporation a school entity has to own property, which is not the case now.

Our partner wants to reach about 1,000 entering students or maybe 1,200. A comprehensive university with four to six thousand students has a certain

strategic size. Right now, however, we are at the peak size for this location and are making money. A move will put us in the hole again.

There is also the problem of Temple University's long-term commitments to faculty at that size. Under our present arrangement Temple University is getting a management fee which is set aside in part as quasi-endowment to endow a "presidential faculty." In a sense, this is a set of pseudo-chairs which will cover the risk of increasing the size of the faculty in Pennsylvania in order to have enough to rotate people to Japan. It is our hope that the management fee can cover the program costs in Philadelphia, some U.S. student scholarships, and a fund for the potential risks of maintaining a program in Japan.

The ESL program is ESL plus academics. The kids we get aren't Japan's most brilliant. We concentrate in the ESL program on vocabulary building in an academic sense, in providing proficiency, and in providing adjustments to the U.S. classroom style. The IELP (Intensive English Language Program) teachers help them out with this. It takes at least one year for a dialogue to be established, for the students to feel it is O.K. to ask questions. Then they go into the arts and science classes for discussion. We ask for them to participate in the learning process, not just regurgitate the factual information. Freshman tend to have considerable problems with this, while some seniors develop their linguistic and class ability to the point where a C student as a freshman can become an A student as a senior. The freshman grades are lower than in Philadelphia, probably due to the language proficiency problems, but the grades go up each year. There is a handbook concerning handling this, written by the faculty. About 100 to 110 of our students go on to the main campus in a semester; therefore, we have to make certain that they will be prepared.

Attrition is a problem in the ESL program. We have rolling entrances and exits. Currently 55 percent are lost. Some of these go to Japan universities, some to American universities and some simply don't have the ability. Some take too long, one and one half years for the worst. Some find the whole thing too much work. We are also working on retention data and patterns after the ESL stage. TUJ sends some to the main campus. Some take an associate degree here, especially the women. Some transfer to other American institutions and some go out of higher education. We don't really know what happens there. We do flunk out about five percent per term, which over eight terms is a large number, and the business office gets phone calls about this.

At the same time, a certain number of students transfer in. We had 60 come this summer and this is increasing rapidly each term. For example, some had gone to other universities in the United States and transferred to us when they came back. There is no advertising for the15 to 18 percent of the arts and science students who are not Japanese, but there is a wish to increase this proportion because it helps in the classroom. These are mainly business kids and embassy kids from 36 different nationalities.

Students coming from Temple to Japan are very few. We want more, at least 10 to 20; however, these students will have to take Japanese. There are five levels taught and most of the Asian Studies courses are here. There

is no problem recruiting students from other institutions in the U.S., but we want more Temple students. It costs altogether about $10,000 to $15,000 for a U.S. student to come here (versus approximately half that for instate students in Philadelphia). The problem is the high cost of living in Tokyo.

The TUJ dean believes that in the long-run only a few of the new U.S. programs in Japan will last. With a U.S. accreditation visit pending, it was his feeling that TUJ, with its range of programs from the Intensive English Language Program to the doctorate, was only now able to reach full accreditation standards on its own feet. He points out that this has taken them seven years to achieve, without a profit, because offering full academic programming is expensive: "The English Language Program is the profitable part. It's our endowment. If you only do that you can make lots of money."

Alternative Models

Alternatives to the split administration model are now developing for different types of partnership control. Where programs are shared by a Japanese university and a U.S. one, generally a traditional academic structure is adopted such as coordination through an office of international programs, an academic center, or a program sponsored by a continuing education division. As in either country separately, if the logistics of a joint academic arrangement are complicated, a new structure can be devised as an operating entity under contract to the partner institutions. MIT and Nihon University have established the International Advanced Research and Development Institute as a nonprofit corporation in Japan to build and manage joint research facilities in Chiba Prefecture. Similarly, single-institution initiatives in either country can proceed under traditional methods of operation by establishing themselves independently with knowledgeable assistance in the foreign setting. Kansai University, Showa Joshi University and Soka Goshi University have all established free-standing campuses in the United States, just as Stanford and United States International University are doing in Japan, retaining fiscal as well as academic control.

Split Board Control

When control of a preexisting institution has to be divided between new partners, new structures must be invented for the task. One possibility, with precedent in cases of institutional merger, is to split control at the board level, generally with one side seeking a majority position. This has occurred in the case of Teikyo University in its attempt to establish branches in the United States at Salem College in West Virginia, at Regis College in Colorado, and most recently at Westmar College in Iowa. At the Regis site, control was established in the split administration mode by a real estate purchase plus a contract for academic services. At Salem it was achieved by controlling the majority of board seats. By shifting the split to the board level, this second model provides for a single functioning institution at and below the office of president. An agreement has been signed by Westmar College for its "reorganization" as Teikyo Westmar University.

Because Teikyo University in the United States provides a test case for achieving control of a U.S. college by a Japanese educational developer, it receives extended attention here.

Teikyo University in the United States

The Teikyo University story involves a number of related entities. A brief history of their relationships is followed by case material.

Teikyo Daigaku was founded in 1966 as a private nonprofit university in Tokyo. The Teikyo University Foundation is a related nonprofit foundation in Japan. In addition to its U.S. interests, Teikyo University currently is developing educational properties in London, East Germany and the Netherlands.

Regis College is a nonprofit private Jesuit college in Colorado. On June 1, 1988, Regis took financial and operational responsibility for near-by Loretto Heights College through the assumption of responsibility for a $1 million debt and $2 million in annual operating costs. Loretto Heights College ceased operations. The college, which the Sisters of Loretto had turned over to an independent board of trustees in 1968 as a nonprofit educational corporation, was not dissolved corporately. Teikyo University of Japan contacted Regis College in October 1988 to inquire about the availability of the campus. Negotiations for the campus reached their conclusion for a reported $6.5 million, for Regis College to run programs there for Teikyo University students under Regis College accreditation. Negotiations with Teikyo University were held up by the Recruit Company scandal in Japan. According to educational and press sources in Japan, Teikyo University was implicated in the Recruit Company scandal for making large gifts to a private foundation which allegedly had been set up to personally benefit certain high ranking public officials, including a Minister of Education and a Prime Minister. The original source of the funding was presumed to be the Recruit Company, although this was not demonstrated. In August of 1989, following this delay, the Loretto Heights sale was concluded in a contract between Regis College and Teikyo University.

Salem College is a private nonprofit college in West Virginia with two campuses approximately 10 miles apart. In 1989 Teikyo University Foundation from Japan was incorporated in Florida as a 501(c)(3) nonprofit corporation. (Under the U.S. federal tax code, section 501(c)(3) defines the rights and responsibilities of federal tax exempt status which is vital to U.S. nonprofit organizations. ***See Chapter V.)*** *The Teikyo University Foundation in Florida then purchased Salem College's property for $19 million. Simultaneously board control of Salem College passed to a selected set of Japanese trustees. Salem now leases its campus from Teikyo University Foundation in Florida.*

Westmar College is a private nonprofit college in Iowa. Its agreement with Teikyo University was signed in February of 1990, as this report was being edited.

The Regis College Case

(Based on interviews and news articles.)

According to the Regis vice president: In the fall of 1988, Regis was approached by an agent asking if we would sell the Loretto Heights campus.

The president initially said "No," but decided to take the proposal to the board when the potential of an educational venture became known. By December 1988 we had an agreement in principle with some flesh but not a whole lot.

According to news reports: Under the agreement in principle the Japanese received no Regis board seats. They purchased the Loretto Heights property because, according to the Regis president, they were afraid that renting the buildings might give Regis a chance to dissolve the partnership at the end of a lease and operate the program independently. Regis retained the right to reacquire the campus if educational programs ceased to exist. Regis would operate the program using faculty selected by Regis and Teikyo with Regis having final approval authority and employed by Teikyo. The program would be taught in English and Japanese [it was originally planned to be Japanese only with English language instruction] and falls under Regis College accreditation. In addition, Teikyo planned to supply three bilingual professors to help Regis establish a School for Pacific Studies at the campus, for 50 Regis students. Enrollment in the main program was expected to reach 2,000 students within five years. Regis would receive an annual fee in addition to the sale price for the campus. Regis pledged to help Teikyo acquire independent U.S. accreditation. (*The Chronicle of Higher Education*, January 25, 1989.)

The Regis vice president continues: We took the proposal to the board for approval in early January. We didn't want to go public with it but had to, as an agreement in principle. We tried to wrap it up by January 31, then by February and March and April but the Recruit scandal got in the way. Teikyo wanted to wait until the auditors had gone through it all. So we never did close until August 1, 1989 as a real estate closing. In September, now, there is still a substantial amount of academic work to be done.

In theory they own and control the campus. However, Regis College will control the academic program under Regis accreditation. This includes designation of curriculum, the academic head, the registrar, and the faculty including their retention. This will last through the incubation period. Then we plan to split the program off to Teikyo University as a free-standing U.S. accredited institution.

Right now it is frustrating for our regional accrediting association to evaluate us because there is nothing of substance yet operationally. Teikyo hopes and intends to have a class of 150 or 200 students in September of 1990. Then Teikyo can start the college and graduate a class, split from us, or even make Loretto Heights a branch campus of Salem College.

Community reaction to the Teikyo purchase was generally favorable:

The Governor of Colorado: We have been working to open doors to the Japanese market. This is a real win for Colorado.

The Honorary Consul General of Japan: A lot of those guys will be buying cars, buying clothes here, touring the mountains and going skiing. The addition of 2,000 students will be a very important addition for the community.

The coordinator for educational services with the Japanese Consulate in San Francisco: This is a major thing in education.

The president of the Greater Denver Chamber of Commerce: It's a real score for our international trade effort. Clearly this institutional link will be yet another (benefit) as we continue to position ourselves with the far eastern outlet.

The president of the Sisters of Loretto: She was angry that Regis refused the Order's request for a portion of the profits while it was secretly negotiating sale of the campus to Teikyo.

The Salem College Case

(From an interview with the Salem College president.)

We received a letter in October 1988 asking if we would be interested in an international cultural exchange. This led to a visit by a team in the United States. Shortly after that people came from Japan. Apparently ten institutions had been selected in the original approach and two were chosen for visits. At the end of November we were told that Teikyo was interested and wanted us to enter discussions with them. A close relationship was sought from the beginning.

We were in negotiations for over nine months and these were very complex. All items were analyzed, but the changes made actually were quite simple: changing the name, changing the board, and finding a new source of funding.

Governance. Salem had a large board of approximately 22-23 members. Changes in governance were made simultaneously with changes in the financial picture. The current board of 22 resigned as a group and appointed a new board which was elected before resigning. This new board was a board of three, a small group of trustees who were charged with doing the last of the negotiations. This group of trustees then elected a new board of five; the president is included on this board. The new board immediately adopted a brand new set of by-laws giving a new structure to the institution. It changed the name of the institution and adopted a second (subsidiary) board structure which is a 16 member board of directors, including the president, who serves as the only overlapping member on both boards. The board of directors is charged with operating responsibility. Getting the large board to accept this bridge mechanism took a tremendous amount of ground work in livingrooms and on the telephone by the president.

Fiscal changes. While the governance side was being settled the fiscal side was negotiated to take place simultaneously. On this side Teikyo University Foundation in Japan, which is a separately incorporated body there and not the same as the school entity, incorporated in Florida as a 501(c)(3) corporation. Salem College transferred its property to the Teikyo University Foundation Florida corporation in exchange for cash assets. The property is now leased from the Teikyo University Foundation in Florida by Salem-Teikyo University in West Virginia. In addition to the purchase of the property the

Foundation paid off all bonds and mortgages (amounting to $5 million on a $5 million operating budget) and in addition set up an endowment and funds for improvement at the Salem campus. The sum invested in Salem at this point is over $19 million.

Legal issues. There were four law firms involved: one in Washington, two in West Virginia and one in Florida. The one in Florida set up the Florida foundation. Legal fees were born entirely by Teikyo University. The 501(c)(3) invention in Florida is a key to making the agreement work.

Local response to the change. In West Virginia, the same people who have a problem with blacks would have a problem with Oriental people. However, there has not been one crank call in a full year. They did their best to handle this; however, they couldn't do everything because the lawyers called the shots on so much of it.

Students. Salem now has 410 students. They expect to grow to the point where they will have 500 American students and 500 international students, mostly Japanese. The curriculum has been altered from a linear structure to a modular structure such as the curriculum experiment being used at Colorado College. Under the modular structure, they will function during three semesters a year putting their facilities to use around the calendar. Under the new block curriculum program, a student will be able to finish in three years by going to school around the calendar.

Two hundred Japanese students will first arrive this April. Teikyo is now recruiting nationwide in Japan with a brochure. The Japanese students will come directly from high school with a high school background in English. As you know, these students can read and write English O.K.; the problem comes in conversational English. They will receive no ESL instruction and have no TOEFL barriers to the program. There will not be separate ESL instruction. (The college has subsequently added ESL instruction to its plans.) English instruction will occur across the entire curriculum as part of the core of instruction. All of this will be done for academic credit. Instruction will be primarily in English. In the second year, some Japanese-speaking faculty will come. It is expected that American students will learn Japanese gradually so that they will be able to take courses from the Japanese faculty. Recruiting American students, therefore, will be a nationwide effort rather than service to the Appalachian region where few students would be interested in the advantage of learning Japanese. In this way, the institution has changed from a state and regional institution to a national institution.

Accreditation. They have had no problem here and have worked closely with North Central from the beginning. North Central became involved right after the original visits from the Japanese partners. By the end of November when the Japanese partners expressed firm interest, North Central became involved even to the point of sending a special team prior to the college reaching a final agreement, which served in an advisory capacity. (According to an accreditor, the official accreditation review would have to take place after the change in control occurred and would be far more comprehensive than this advisory visit.)

Tuition and fees. There will be one tuition and fee policy for students, whether American or international. It has been a specific choice not to have a differential in cost in this case. The choice was made for pedagogical reasons, not for public relations reasons. They did not want their Japanese students and their American students who would be roommates to wonder why one student had to pay so much less than the other.

Advice. Be sure you are dealing with people of incredible integrity.

The Regis case is a U.S.-based version of the U.S. branch campuses in Japan which offer U.S. degrees under the split administrative structure. Its closest analog is the Phillips program because it also offers a U.S. degree for instruction by Japanese faculty in the Japanese language to Japanese students in a predominantly Japanese setting. The Salem College case, on the other hand, offers three significant innovations which should receive notice by those who are considering it a possible prototype for U.S.-based programs sponsored by Japanese educators.

Educational. Presumably at Salem-Teikyo, Japanese high school graduates without conversational English capability, or demonstrated reading and writing ability in English, can enter a U.S. college directly, without undergoing ESL or TOEFL preparation. They will then receive ESL and collegiate level content instruction with English as the language of instruction, and can graduate in three years with a U.S. baccalaureate degree by attending three semesters per year. The experience of the U.S. campuses in Japan suggests that either large proportions of the student body will fail, or the requirement that instruction be collegiate level will be shifted to content-enriched ESL instruction, perhaps labeled as equivalent to U.S. collegiate courses, or the requirement that the instruction be in English will be changed.

Governance. Salem-Teikyo offers a board control operating model which grants control to a majority of three trustees provided by the Japanese institution. Making the president one of the remaining two U.S. trustees and also a director ensures his loyalty to the board and to the reconstruction plan. Also innovative is the plan for managing the transition corporately via various foundations, which provide new ways to pass funds between the U.S. institution and its Japanese partner. The arrangement has major implications for the operation of the U.S. institution. For example, it does away with arms-length negotiation over the college's lease agreement. The board of the college is Japanese-trustee controlled, and it negotiates with its partnering foundation, which is under the same control. As a result, there is no arms-length relationship to keep the lease from becoming a means for passing tuition revenues through to the Japanese sponsors and their related parties.

There is not enough known about the formal and informal relationships between the various parties involved to understand whether this situation might violate U.S. tax code strictures. However, potential exists in cases like the Salem model for the operating and capital assets of a U.S. nonprofit organization to be used, in this instance through a foundation mechanism, for

the benefit of private or political interests in Japan. The problem is that the restrictions of 501(c)(3) status which operate in this country apparently do not always operate in the same way in Japan. Therefore, by passing nonprofit U.S. assets into Japanese control, those assets may be used under different levels of restriction in Japan.

Financial. Originally the president at Salem stated that a different tuition charge for U.S. and international students was not desirable, but that this was still "under discussion." From the information received, the resolution of that discussion is not clear. However, after the conversion of Salem College into Salem-Teikyo University, tuition and fees at the institution's branch campus in Clarksburg, which offers only the associate degree, jumped 39 percent, from $5,750 to $8,000 according to directory information, while tuition at the campus ten miles away in Salem, which offers the baccalaureate degree, was raised only 10 percent, from $5,750 to $6,325. According to accreditation sources, the Clarksburg campus may not be in use for instruction but remains a registered enrollment site for the college. The higher tuition level posted for the Clarksburg campus approximates the going rate in the Japan market, suggesting that Salem Teikyo may not be charging differential tuition for the same campus, but may be achieving a higher fee for its Japanese students by registering them through the Clarksburg campus. A resulting differential of $1,675 on the projected 500 Japanese students would yield over $800,000 per year, or a return of approximately four and one-half percent on the $19 million invested, in addition to the value of the land and on-going control of the college and its funds.

Problems may arise for the Salem Teikyo arrangement when Japanese students arrive in West Virginia without English capability. Their written English ability and the skills yet to come from social immersion with U.S. students probably will not be sufficient to prepare them for classroom exchange at the collegiate level, and few American students will accept a non-speaking classroom mode of instruction as the alternative. Therefore segregation into separate classes in all probability will be pedagogically necessary. Segregation will be especially important if the core curriculum for Japanese students must include substantial English language instruction in place of collegiate content. If the adjustment is made so that first year instruction for Japanese students can be essentially ESL, when Japanese instructors arrive in the second year the academic program can be continued in Japanese. The probable result will be a U.S. degree that includes basic English language instruction for U.S. college credit as well as academic instruction given in Japanese by Japanese professors. This degree will be achievable in three years.

Financially, the arrangement may sound attractive to some Japanese families, but will it provide the American college education they expect? Will the Japanese students be segregated physically or academically and financially? Will their instruction be an ESL/Japanese instructional combination made more expensive because it is credentialled as a U.S. degree? Because new board control rests with a Japanese partner with no responsibility for the credibility of U.S. degrees, there is no force at hand to argue for higher standards or to enforce English language accomplishment.

Unlike the split administrative control model which functions at Regis, at Salem the enforcement of U.S. educational standards moves entirely out of the picture. The arrangement is similar to the Phillips University set-up in Japan, except that (1) there is no ESL graduation requirement imposed, (2) the program physically is in the United States, (3) the Japanese partner did buy control, hence ending the bickering over standards and finances, as Phillip's Japan partner regrets not doing. Therefore, the Salem model resolves many of the problems of split control between a U.S. side seeking to maintain educational standards and a Japanese partner seeking an attractive financial arrangement, but does so by ceding this issue from the American side.

The Salem College trustees may come to feel that two-fifths board control (or one-fifth not counting the president himself) amounts to no control, and that trading ownership of the campus for no control over the institution even with its additional19 million dollars, effectively gives the college away.

Continuing Negotiations

As we can see from cases such as these, different organizational structures are being designed to handle operationally the various items of property or rights which have been divided among partners through negotiations in the new wave of educational ventures. Originally the division takes place through negotiation of a contract. For illustrative purposes the Appendix includes a copy of one U.S. regional accreditation agency's "Guidelines on Contractual Relationships Between an Accredited Institution and Other Organizations." Most of the U.S.-Japanese contracts vary widely from this form, especially by omission of key provisions.

The problem of allocating property, rights, and responsibilities cooperatively between separate partners is not only complex but it challenges our preconceptions about how colleges function. In the single area of tuition and fees, for instance, the negotiating issues to be settled might include separately: the right to set tuition or the right to advise and give consent over the setting of tuition, the right to set and receive application and admission fees, the right to keep tuition, the right to pick dates for yen/dollar exchange and transfer for tuition remission, the right to determine the conditions under which the students who are paying tuition will receive credentials in return, and rights to control the recording of that transaction, and the right to audit the process. In a traditional U.S. institution these rights normally are organized into the responsibilities of faculty committees, academic deans, the bursar, the registrar, the admissions office, the controller, and the treasurer. In the established U.S. organization these offices work together for a smooth flow, with periodic adjustments in pattern. A new joint venture must negotiate all of these points and then try to establish a functional flow of activity between negotiators who remain perpetually on opposite sides of the table.

It is no wonder that the new ventures report difficult initial negotiations when all responsibilities are under discussion at once. In two cases the negotiating solution was to write nothing down. "We have just a personal understanding." In another case, when a contract was necessary and it proved impos-

sible to settle issues of control in time to open the program, the partners proceeded on the basis of personal trust by signing two different contracts. One negotiator wrote to the other: "Attached please find a revised copy of our agreement. I revised the agreement as required. . .The true agreement between our two schools, however, is still embodied in the document that we all have already signed. Any decisions or actions that are made in the future will be controlled by that agreement." Both sides realized that they would have to resolve their problems quickly but felt that it would be possible to do so as they gained more experience together. "I never wrote two contracts in my life, but that was the only way to satisfy both sides."

For a U.S. negotiator, this may be a first experience at deconstructing the traditional U.S. institution. For the Japanese negotiator, insistence on U.S. organizational concepts may seem arbitrary, even duplicitious. The original organizational structure agreed upon often is an awkward compromise. The institutions then report endless renegotiation, item by item, as the new arrangements attempt to develop internal cooperation. Their original contracts necessarily cover very little of what ultimately has to be settled on a day to day basis, and solutions differ for each setting. One U.S. administrator reported having absolutely no operating budget and having to negotiate to the line in order to hire well-qualified faculty, but said that the U.S. side could ask for anything and get it as long as the item would add to a good professional appearance: "We always look good. Our Japanese partners understand that." Another U.S. administrator had the opposite problem. He explained during a laboratory tour that it had been easy to get state-of-the-art microscopes, but had taken forever to get the wastebasket. Their Japanese partner didn't understand why you need one for each room. Actually, that is a valid question. When partners are building a brand new institution, what is really needed in order to function? It depends on what the institution's primary functions are expected to be. The "wastebasket question," which comes up daily in one form or another, can pose a philosophical challenge for both sides.

Apparently an ability to move together toward commonly held first principles makes it possible to function within a structure that is barely sketched out and awkwardly conceived. This was widely reported, and was observed as part of a genuine regard which partners expressed for one another where the work was moving forward smoothly. One split partnership had come to realize that academic quality and its funding are essentially circular, that each side has to look out for the other's interests in order to sustain its own: "A partnership has to be good for each other... Even though a financial failure is 'their problem' it would be ours also, so we cannot afford for him to take risks or to dilute the quality."

By all reports, candor helps. This is made more difficult, however, if the first principle of operation for both sides happens to be profit. In a few cases the Japanese partner's "vision" may be little more than introductory rhetoric for the business at hand, but it takes a while to know if this is true. Similarly, some U.S. institutions may be very interested in money, but generally they talk about education first and later talk about money. Often the educational themes continue more or less euphemistically deep into a developing relationship. In other cases, for one or both sides, finances may only have to be enough to support the idea but the idea itself must be excellently achieved.

As the Japanese tend to know, sorting out a truly sympathetic partner in the first place can be more important than structures chosen for sharing the work.

The story of Southern Illinois University in Niigata illustrates a history of sorting partners, negotiating closely to split responsibilities, and then learning to work together within a split structure to solve educational problems. Because this case has served as a prototype for other municipal branch campus negotiations, it receives extended attention.

According to the president of Southern Illinois University at Carbondale, our interviews which follow are incorrect:

> *Many of the comments included within your interviews were made some time ago, and are attributed either to unidentified individuals unconnected with SIUC or unspecified SIUC representatives. Although under these circumstances SIUC cannot comment toward the accuracy of your report of the interviews themselves, we have reviewed the draft report and prepared the enclosed revisions to correct certain factual inaccuracies included in your draft report. These revised comments have been reviewed by those whom you interviewed and those on-campus SIUC representatives most familiar with this project, so please use the revised comments when referring to SIUC's educational program in Japan in your final report.*
>
> *The report of the interview with the individual who negotiated on behalf of the City of Nakajo is of serious concern to SIUC. Please be advised that SIUC strongly disputes the representations apparently made to you by Mr. Kataoka concerning certain events which allegedly occurred in negotiations between the City of Nakajo and SIUC.*
>
> *As noted in the enclosed revisions, SIUC was unable to accommodate Mr. Kataoka's desire to finalize an agreement with the City of Nakajo without first submitting the proposed agreement to full legal review and review of the proposal by SIUC's governing board and system office. Since his comments pertaining to these negotiations in general and SIUC's legal staff in particular are both inaccurate and would reflect unfavorable [sic] upon this institution, we specifically request that you delete these comments in your final report.*

A corrected version of the interviews as submitted by the president is included in its entirety in the footnotes to follow.

Southern Illinois University in Niigata

1. *Southern Illinois University at Carbondale is a public non-profit institution. It is the lead institution for the Mid-Atlantic States University Association (MASUA) consortia. SIUC contracts for the delivery of educational services and transfer articulation with a foundation established in April of 1989 in the city of Nakajo in Niigata Prefecture.*

2. *A negotiator for the Japan side gives this account of negotiations:* In Nakajo the mayor decided to be host to a university. He relied on prefectural yen and city assembly yen as well. There were also private-sector donors. I served as negotiator in proxy for the mayor. For SIUC, the associate vice president was negotiator. A legal counsellor for SIU Carbondale came in at the last minute. The previous legal counsellor had opposed the arrangement. He walked out. The mayor was then ready to sign but a few points still had to be settled. For a while it looked like the project was dead. However, SIU brought in the new attorney and we were able to reconcile the different points of view.

3. It is important to involve the school's legal counsel from the beginning. It is important because legal matters shape the problem where there is involvement of public money. The attorney has to be aware that there are two levels of understanding, one that goes through the full public disclosure route and the other that is human and private.

4. In the Nakajo case the mayor's exposure was tremendous, because there was no precedent for this and therefore he got vague responses from everyone on how to do it. He had to find a way to satisfy the authorities. Therefore, by making the mayor personally responsible, not as a matter of his office but fully responsible personally, we worked out a way to do it until we were able to put it together officially. This took great bravery and commitment on the part of the mayor.

Footnote to the Southern Illinois University (SIUC) in Niigata case (material submitted by the president of Southern Illinois University, Carbondale).

SIUC on Paragraph 1. Change consortia to consortium (SIUC is involved with only one consortium).

Change Mid-Atlantic States University Association to Mid-America State Universities Association, now recognized as the Association of the Big Eight Universities. SIUC contracts for the delivery of an educational program consisting of one year of intensive English training and two years (60 semester credit hours) of general education. The original contract was signed with the City of Nakajo, and is implemented by a legal body called the School Entity. Students will transfer to colleges and universities in the United States after completion of the General Education Program.

SUIC on Paragraphs 2-4. We strongly disagree with this characterization of SIUC-Nakajo's negotiations. The Japanese negotiator's comments appear to reflect his personal displeasure over the need for SIUC to submit a tentative agreement to its Board of Trustees prior to finalizing the program agreement with the City of Nakajo.

We suggest that the comments beginning with, "A legal counsellor...," and ending with,"...the different point of view," be deleted.

5. *The arrangements arrived at, according to a U.S. administrator, were as follows:* Our cost reimbursement is on a contract basis, and it involves the cost of running the facility and the other resources that must be available to help. We do not set tuition but offer advice and consent on tuition. We do review the foundation's budget. We don't want to use our own university to generate a profit.

6. The foundation is set up to offer certain tax advantages for private benefactors and to receive certain public monies that the town establishes. SIU does not want to own land or buildings or even much of the furnishings and equipment. Property control in a setting like this would be a burden. Therefore the foundation owns the property and all the budget for purchases. The land comes from the town. There will be a new building called the Niigata Illinois Friendship Hall. Two-thirds of this is prefecture money and one-third is town money with the town having access to the library and theatre. SIU only wishes to own some small equipment.

7. However, there is also a 25 year understanding. The idea is that they will establish an endowment and in 25 years that money will come to Carbondale to promote international programs at Carbondale. It is estimated now that this will amount to six to eight million dollars. SIU pays the foundation a "management fee". Over the years this will become the endowment which SIU will claim. This gives us a commitment to each other over the long term.

SIUC footnote, continued.

SIUC on Paragraphs 5-8. Administrator's comments: The arrangements arrived at according to a U.S. administrator were as follows:

SIUC contracted to deliver an intensive English language program and two years of General Education courses. For this program SIUC charges a program delivery charge. The University was not desirous of owning buildings or land in a foreign country and requested that the Japanese legal entity, and "School Entity" provide the physical facilities and their operations and maintenance. The student charge is determined by the entity.

The "School Entity" was established under the laws of Japan to make it possible for private sector donors to receive tax benefits for their contributions and also allow the academic program to legally operate under Japanese law. The campus consists of two buildings, the classroom, office complex, and the soon to be completed Niigata-Illinois Friendship Hall. Private sector investors have built a 250 bed dormitory and 51 units for faculty and staff housing. The physical facility is being developed as a community facility thereby giving access to the library, concert hall, the meeting rooms, to the citizens of Nakajo.

The endowment, which was built on funds contributed by the private sector and Niigata Prefecture was used for construction of the physical facilities and for the equipment procurement. This endowment will be restored over a 23 year period as a "back-stop" for future campus development. SIUC has made a long-term commitment to the program and is dedicated to a high quality academic program. The City of Nakajo and the "School Entity" have the same long-term commitment.

This commitment is a linkage between SIUC and Nakajo, the City of Carbondale and the City of Nakajo under a sister-city agreement, and Niigata Prefecture and the State of Illinois through the Illinois-Niigata Council for Education and Economic Development.

Some Japanese towns are headed for very difficult other arrangements. They are now looking at several different schools and they may be making a wise decision to hold off for now. There is a tendency to gloss over many of the issues. A lot is expected on the U.S. side in terms of money. Money-minded short-term U.S. commitments are easy to make. There is a hit and run mentality.

8. In our negotiations SIU had settled on three finalist sites, and any of the three would have been O.K. but Nakajo was the best for the following reasons: it had defined more clearly what it was that they wanted, more so than the others; it seemed realistic; and it had lined up both the resources and a long-term idea about what it was going to do. The others all wanted to benefit themselves by renting buildings or putting their name on a building or making money in a hurry in some other way. Here the idea was that they wanted to lift their community. Some places expected 10,000 students in six years with science, engineering, liberal arts and full degrees. Here there was some wish for a four-year college but they could see that as a dream rather than an expectation. They did not want just an ESL deal, however, and we don't want it either. What they wanted was a U.S. institution. As an example of this they allow no local hires. The Japanese feel that it is very important from a marketing point of view that this be an American institution.

9. *The form of American university decided upon was an Intensive English Language Program (IELP) followed by two years of transferable for-credit academics; the problems of student advancement from English preparation to academics were outlined by another administrator:* When we opened there were 467 students in May of 1988 entering the IELP program. Of these 70 passed into general education for the summer of 1989 (an optional program), while some went to the U.S. instead. If they had a 523 TOEFL or higher they could go to the U.S. Normally Carbondale accepts 525 but some are accepted with less on a part-time basis by taking only one or two for-credit courses plus five hours of ESL.

SIUC footnote, continued.

The Intensive English program is staffed by U.S. faculty and the General Education program is staffed by senior faculty from SIUC, Oklahoma State, the University of Missouri-Columbia and emphasizes quality. In the fall of 1990, 25 U.S. students from SIUC and UM-C will spend one or two semesters studying at the Nakajo campus. Plans are underway for cultural exchanges between SIUC and Nakajo, and the State of Illinois and Niigata. Service clubs in Nakajo and Carbondale have also signed agreements for exchange of members. The relationship among SIUC, Nakajo, Carbondale, Niigata, and Illinois has matured into a relationship that will endure for many years to come. (Note: This rewrite should replace the second presentation in toto.)

SIUC on Paragraphs 9-11. Second SIUC person's comments (another SIUC administrator): When we opened there were 467 students in May of 1988, who entered the IELP program. Teaching English in a Japanese environment is difficult and it soon became evident that it would take more than twelve months to bring the students to the proficiency level for admission to the General Education Program.

In the summer of 1989, 70 students began the academic program and another 119 moved to a transitional program. A special curriculum consultant came from the SIUC campus to design an enrichment program which would assist the students in moving to General Education in the fall of 1989.

10. Our special summer program probably won't be repeated. It was added because the students in the first year (before the campus was built) may have had less than optimal beginnings in facilities and services for students. We have hired a special curriculum coordinator to come from Carbondale to design the summer enrichment curriculum and are offering it at no charge to the students.

11. Of the original 467 students, some have dropped out or are continuing a second year of ESL and hopefully after two more terms will test in August or December and pass. We had 70 qualify in May and assume that approximately another 80 will qualify by the end of August. This will give us a pool of 150 capable of moving into general education. In addition, there will be new students who will be ready by then. For example, two of the new ones could enter directly and we expect ten to twenty more to be ready after the summer. This means that up to 180 students may be in the general education classes including about one-half dozen from other Southeast Asian countries and a hoped-for twenty students arriving from the U.S. with a discount on their tuition and dorm bills. . . From the first cohort some students will take three and one-half to four years to prepare to go to the U.S. For the second cohort we should do better.

12. *According to another administrator:* Even if we can solve the educational problem together, the partnership will still be at risk. There is concern that some of the new branch campuses will fail if too many get started. In our own case there are certain unknowns. The prefectural governor has given us great support, but he has just died. The mayor is an older man with six terms in office. This has helped give us a stable start, but there is the question of what will happen when he retires. So much of this depends on having built relations and achieved support on a personal level. We wonder if we can have the same strong basis in the future.

SIUC footnote, continued.

As it was anticipated, of the original 467 students, some have left the program (far fewer than projected) and many are opting for a second year of English instruction. The number moving to General Education were 70 in the summer of 1989; 90 more in the fall of 1989; and 62 in the spring of 1990. Total enrollment in General Education for the spring of 1990 was 222. Experience with the first group who matriculated as SIUC in Niigata provides us with criteria for the selection and admission of subsequent classes. (Note: This rewrite should replace the third presentation in toto.)

SIUC on Final Paragraph. Another administrator: According to another administrator: SIUC and the City of Nakajo have a strong working relationship in the development of SIUC in Niigata. The question remains as to how many U.S. campuses Japan can support—how many students are available for the pool. We continue to have strong support of the Mayor and City Council. The late Prefectural Govenor also provided strong support and his successor is a driving force in the establishment of the Illinois-Niigata Council for Education and Economic Development. As the years continue personnel will change, but the relationships forged between people will ensure the continued success of the program. (Note: This rewrite will substitute for the entire final paragraph.)

IV. The Educational Results

The new cooperative ventures are diverse in their purpose and structure. However, common to most is the remoteness of at least some portions of the operating programs from the national locus of academic regulation. For example, the U.S. programs in Japan are currently responsible to accrediting bodies located in the United States and the Japanese programs in the United States are responsible to the Japanese Ministry. The U.S.-based programs for Japanese students under U.S. accreditation have the particular responsibility of serving students who are receiving an education which is remote from their homeland and foreign to its expectations. The question we will explore in this chapter is: What is the nature and quality of the education offered in these remote campuses?

The Educational Objectives

A main objective of the vast majority of these new programs is to provide Japanese young people with exposure to "American-style education," enabling the young people to broaden their international understanding, to speak better English, and to develop more critical reasoning skills. Most of the programs are quite explicit in asserting and advertising these objectives.

Perhaps the most sensational example is Eureka College's, with the startling offer to "develop a Japanese body and an American mind" in their new Japan-based program; a muscle-bound portrait of Ronald Reagan provides the background for their poster.

The agreements of Asia University with its four partners in the American Northwest begin with this summary of objectives:

- To develop students' communicative control of spoken English.
- To develop students' reading comprehension skills.
- To orient students to American life, culture, and geography.
- To familiarize students with social, political, and cultural developments in American history.
- To introduce students to concepts, issues, and problems related to the human environment.
- To provide students with a program of physical education in an American cultural setting.

The bulletin of the International University of Japan states that "the major aim is to train specialists with a broad international outlook. . .To this end the University has adopted a policy of inviting foreign scholars as visiting or guest professors and as occasional lecturers. It has established affiliations with educational and research institutes overseas. It also encourages the enrollment of foreign students. . .English is the principal language of instruction."

Providing Americans with exposure to Japanese style education is not a focus of concern for this study. For a few of the new ventures, such as MIT's research laboratory in Chiba and the Stanford Japan Center, in Kyoto, the objective is providing Americans with exposure to Japanese culture, science, business, and industry. The research programs of both institutions function in the tradition of education by association rather than claiming to offer specific academic degrees for this purpose. The Stanford Japan Center also manages a two-semester liberal arts program for a consortium of universities which is similar to traditional junior-year-abroad arrangements. Therefore, although Stanford and MIT represent development in an important direction, they are not considered at length in this chapter but are included as case studies in **Chapter V**.

Given the current fascination in Japan with "internationalism" and the steady expansion of Japan into the world economy, an increasing number of young Japanese are likely to be attracted to programs that offer "international" opportunities. For example, applications to Asia University in Tokyo are reported to have increased some 35 percent following the announcement of its new "study in America" program. Showa Joshi, a women's university in Tokyo and now in Boston also, has enjoyed a similar jump in applications. Most of the American campuses in Japan also have received more applications than they can accept.

A secondary objective for most of the programs is to promote mutual understanding among American and Japanese students. For example, the American coordinator for U.S. campuses that have come to Japan as part of the Gephardt-Nikaido trade initiative, has stated that the major objectives are (1) to establish personal contacts between Americans and Japanese, and (2) the promotion of greater awareness of Japanese culture and business practices among American undergraduates. These are ideals long espoused by traditional U.S. exchange programs with Japanese institutions but practiced significantly by only a handful of mainly prestigious private colleges able to invest funds sufficient to make the exchange attractive to students and faculty alike. In the past, few of the U.S. public institutions have been able to establish anything more than sporadic exchange involving several individuals.

While concern now for the impact on American students is more characteristic of the American degree programs, Japanese programs located in the United States seem to have made the greater progress against this objective, because this is where American students are to be found. For example, Willamette blends academic and student life for the Japanese students at neighboring Tokyo International University of America with that of its American students. Japanese staffing was made possible by a long-

standing sister school commitment that had created a faculty in Japan capable of rotating to the United States to work in the English language setting. Even Showa Joshi in Boston, which enrolls only Japanese students, has an outreach program that takes several of its students into local classrooms to share experiences with young Americans; and Showa Joshi is establishing a Japanese tea house in downtown Boston to teach the traditional tea ceremony to interested Americans of all ages. Through this experiential approach, the Showa Joshi program expects to promote mutual understanding among Americans and Japanese.

Programs differ in their emphasis on the two elements, but they ultimately should be judged on their success in achieving these two educational objectives.

How the Two Prototypes Fit With Student Expectations

The advertisements for the new schools all imply that the objectives are obtainable. Southern Illinois University in Niigata describes itself as "a school that cares about its students." The students who enter into these programs are naturally hopeful of success. What these students will encounter is complicated and deserves further exploration. We first consider how it works out in the U.S.-based Japanese institutions, and then turn to the new U.S. institutions setting up in Japan.

Prototype I: Japanese-Degree Programs. The typical Japanese young person knows that the safest course is to enter a Japanese degree program, for such programs have established links to the domestic labor market. Thus all of the Japanese-degree programs under discussion here have proved immensely successful, adding to the popularity of their innovative institutions.

Most of the Japanese programs seek to achieve their objectives through offering their home students the Japanese equivalent to a study abroad program. Showa Joshi has a short summer program of four weeks and a longer school-year program of one-semester. Asia University sends its students for one semester. These programs allow the Japanese students to gain some foreign exposure. In the Asia University case, the students move into dormitories of American institutions and attend classes and participate in other activities as equals with their American counterparts. Many gain considerable exposure to American ways of thinking and have daily opportunity to improve their English as they discuss problems with their American dormmates. At Showa Joshi, the students take their morning classes with fellow Japanese students, but in the afternoon they are encouraged to do community work in Boston or to audit classes at one of the nearby U.S. colleges. Moreover, each dorm has several resident young Americans with whom they have extensive opportunity to enter into conversation.

These programs offer, over the several-month U.S. sojourn, a number of opportunities for the participants to experience U.S. education and learn about the United States; during the better part of each day the students are exposed to the English language. So the students enjoy a reasonable opportunity to "internationalize." While the opportunities are packed into a

brief period, this limitation needs to be balanced against the important advantage of participating in a program leading to a Japanese degree, which has predictable currency in the Japanese labor market.
Another feature of the Japanese-degree option that deserves special note is its implicit promise of insuring that students will graduate within the expected four-year period alongside their classmates. Japanese universities typically are lenient in evaluating their students so that upwards of ninety percent complete their programs in the projected period of four years. The common assumption is a "narrow gate but a wide exit." This perception of the nature of university studies has an obvious influence on the expectations of the Japanese young people who enter the American ventures.

There are only a small number of "study-abroad" Japanese-degree programs thus far, but these are relatively easy to establish. If they prove attractive, we can anticipate rapid expansion thus providing vigorous competition for the competing American-degree option.

Thus far only one of the Japanese-degree programs has been established at the graduate level: this is the master's in business administration program of International University of Japan, in Niigata Prefecture, in collaboration with Dartmouth's Amos Tuck School. In contrast to the bachelor's level study abroad programs, this program is conducted in Japan largely in English yet still receives official degree recognition in Japan. The international component is achieved through the extensive reliance on foreign faculty, the inclusion of a number of students from the United States and Southeast Asia, and summer internships in overseas corporate offices. The major weakness of the program stems from the practice of flying in foreign professors to teach short modules; the professors do not really get to know the students. The program is guaranteed a certain volume of students from the corporations who supported its establishment, but most young Japanese executives view it as a second choice to attending an internationally recognized MBA such as the business schools at Harvard, Stanford, and Chicago.

Prototype II: The U.S.-Degree Programs. American institutions have explored a number of options for setting up programs in Japan, or U.S. accredited programs in the United States designed for Japanese students, ranging across several academic fields and degree levels. Temple University pioneered with graduate level programs in English as a Foreign Language and soon followed with a full four-year undergraduate program in liberal arts. Initially, the program offered majors in American studies, English, history, and general studies, but it plans to expand to political science and the natural sciences soon. In the case of Temple, students have to achieve a TOEFL score of 500 before enrolling in the first year program of English language instruction; for those short of 500, a special pre-entry course in intensive English is available. After two years of study, students can receive a terminal associate degree certificate, or if their TOEFL exceeds 550 they can proceed to the third and fourth years of study. Students may complete all four years in Japan, or if they wish they may move to the U.S. campus for part or all of their junior and senior year.

The several American-degree programs sponsored under the Gephardt-Nikaido trade initiative, as well as privately established Phillips and the

United States International University in Osaka, aim at four-year undergraduate programs with options similar to Temple's. There are also institutions offering U.S. associate degrees taught primarily or entirely in Japan, and one taught entirely in the United States for Japanese students. On the other hand, the University of Nevada-Reno (UN-R) apparently is only considering a pre-entry and first year college-level English course, with the expectation that successful students will move on to one of several affiliated colleges in Nevada for further study. But as UN-R indicates, their prospective student has many more options. Given the U.S. transfer system, able Japanese students can use the UN-R program to complete one year of accredited academic studies in the United States and then apply for entry to any American institution of their choice. Thus the Tokyo office also has a placement service.

Many of the Japanese groups encouraging American involvement have proposed programs in such areas as technology and management science; some graduate programs and research partnerships have been established in these fields. However, thus far most of the American programs stress English as a Second Language (ESL) with some attention to the liberal arts. The ESL emphasis reflects a need to give the Japanese students the language skills necessary for mastering an American educational program. As the programs gain acceptance, they propose to supplement the ESL emphasis with other courses. Only Temple, Phillips, SIU, and some of the associate degree institutions have made progress toward a full undergraduate curriculum at their Japanese campuses.

The graduate-level programs tend to be smaller and naturally more focused. Several of these also focus on English as a Second Language. Relative to the first-degree programs, these receive well prepared students, many of whom teach English in the school system. Before looking at these graduate programs, which are probably reasonably effective, we will consider several aspects of the undergraduate programs.

The U.S.-degree undergraduate programs compete directly with the programs offered by Japanese institutions, except that they offer an American rather than a Japanese degree. The American degree has no official standing in Japan. Thus it is with considerable anxiety that Japanese young people enter the American degree programs. They apparently take this risk out of a belief that they will receive a better education, and that in the long run this educational advantage will make up for the shortage of connections. Some years ago, such risk-taking would have been extremely difficult to contemplate. But over the past decade there has been considerable evidence of a softening in Japanese recruitment principles. For example, there is more mobility between firms, especially in the high technology industries, and headhunting is now quite common, especially for managerial talent and for certain categories of technical specialization. Finally, there are more foreign employers in Japan, and many of these openly indicate a preference for students educated in American institutions over those educated in Japan. So the risk-takers have new grounds for optimism. Given the risks they face, the students in these programs naturally expect to receive a good education. What in fact do they get?

English as a Second Language. The bulk of the curriculum during the first two years is related to strengthening the English language skills of the Japanese students. Students who enter the American-degree programs are presumably highly motivated to improve their language ability and obviously possess at least a minimum level of competency in order to handle the English language instruction. Most of the programs set a specific TOEFL level such as 500 as a requirement for entering a first year of the degree course that stresses further training in English. The schools typically have a pre-entry course for interested students who do not achieve this minimum standard. The Japanese students who are accepted either to the pre-entry course or the first year degree course have high expectations for the efficacy of American-style education in improving their English, and the advertising related to most of the American programs encourages those expectations. For example, the SIU brochure pictures students achieving a 550 TOEFL score after one year of instruction.

According to our interviews with faculty and administration, none of the programs has been notably successful in achieving the projected rate of improvement in the English proficiency of the large majority of their students. Some of the students do well, possibly because of their special aptitudes or backgrounds. But most of the Japanese students have made much slower progress than anticipated. For example, at SIU-Niigata, of 467 who were admitted into the Intensive English Language program, only 70 were able to raise their TOEFL to 550 within the projected nine months; roughly another 80 were able to make it with four additional months of summer school intensive English instruction. Thus only 150 of the original 467 entrants were able to move into the degree-credit general education program by the beginning of the second academic year. Compare this result with the progress outline printed in the initial SIU-Niigata catalog:

> **Curriculum:**
>
> 1. Entrance: Students enter SIUC in Niigata in May of 1988.
> 2. The Intensive English Course (one-year). . .Students are divided into four different levels and will study each rank according to his/her ability. This course is programmed according to the progress of each student. It allows students to improve their ability progressively until they reach a level where they can listen to lectures in English without difficulty (525 TOEFL scores).
> 3. General Education Courses (two years, four semesters): After finishing the Intensive English Course you are eligible to proceed to the general education classes. . . In general, four semesters can be completed in a two year period, whereby students are certified and become eligible to transfer to the main campus in Carbondale.
>
> They may also transfer to any of the MASUA member universities as well as any other university in the United States.

The American educators, apparently surprised by the slow progress of their Japanese students, have had to make adaptations. Many have lowered the TOEFL score barrier to degree-credit study relative to requirements for foreign students entering their home campuses. For example, a State University of New York (SUNY) request for a 500 TOEFL level in Toyama

was shifted to 450 in recognition of the difficulties faced by Japanese students. SIU-Niigata, following the tradition of most large state colleges in the United States, decided to require substantial numbers of its students to repeat their courses and has asked others to leave. These requests, while understandable in the U.S. setting, naturally stirred controversy in the Japanese educational setting where automatic promotion is customary and was implied by the catalog. Indeed, parents launched a protest which went as far as the U.S. Embassy in Tokyo.

The University of Nevada-Reno, whose current goals for their Japanese educational program are less ambitious, took a different strategy. They allowed the Japan-based students to proceed on to the Reno campus as scheduled. Apparently they reasoned that the lack of English language stimulation outside of the classroom was holding many of the students back. However, while the students understood that they would begin their American sojourn as degree students, most discovered upon arrival in the United States that they were accorded only special-student status until they raised their TOEFL scores to the required level. This approach also incited strong complaint.

As both of these examples indicate, American style education has not yet discovered a miraculous approach for teaching English in Japan. In part, this may be because the programs are attracting some of the weakest Japanese students, those who failed to gain satisfactory entry to the very large domestic higher-education system. In contrast, the most successful ESL programs have been those designed for more advanced students, such as the TOESL masters offered by Simul and Teachers College, Columbia University. However, in view of the enthusiastic claims advanced for American-style education, the unimpressive performance of these undergraduate institutions in bringing students through has received extensive comment in the local press. The inference is that American education is not all it claims to be.

Guaranteed Degree. Most of the public advertisements for these programs imply that the students can expect an American degree in four years. American students understand the implied qualification of making satisfactory progress: at Southern Illinois University in Carbondale itself, one in five of the freshmen finishes the first year on academic probation and one in three chooses not to return for a second year. Young Japanese, however, given their understanding of Japanese education, generally have assumed that admittance would guarantee their successful completion of the program. They have been upset to find that it takes them longer than expected to complete the initial year of studies and that often they are offered a terminal two-year associate degree rather than the opportunity to go on for the full bachelor's at the affiliated American campus. Since tuition for the U.S. degree programs is comparatively high (typically 30 percent higher than for a reputable Japanese junior college), the students may well feel disappointed. Only Phillips University has fully solved this problem, but it has done so by teaching most of its degree courses in Japanese, by counting English language instruction for degree credit within the four-year pattern, and by arranging to transfer out the students who still cannot succeed to the owner's related proprietary institutions.

International Understanding. All of the American degree programs make bold promises of promoting the international understanding of their students. The curriculum generally includes a number of courses of that nature. But most of these courses begin after the students have completed their basic training in English language. In several of the American programs at the Japanese campuses, locally hired faculty are involved in teaching these courses. In other words, Japanese faculty are teaching Japanese students about international understanding. In the case of Phillips University, they are carrying out the instruction in Japanese. These combinations can dilute the experience of American-style education for the student who does not study in the United States.

Cross-Cultural Experience. Yet another aim of these programs is to promote cross-cultural experience. To the extent that the Japanese campuses are internationalized, that experience could begin in Japan. But in most instances, the student body of the Japanese program is exclusively Japanese. Of the undergraduate programs studied, only the Toyama one has recruited students from Southeast Asia, and only Temple has captured the interest of international expatriate families resident in Tokyo. Thus far, only at Temple have any students from the U.S. home campus decided to try a junior year abroad on their institution's Japanese campus. In 1989 Temple expected 30 Temple University students to study at the Japanese campus, but only five finally arrived. Thus even this case currently is disappointing. Obviously the American-degree programs offer limited cross-cultural experience on their Japanese campuses. The real opportunities open up only when students move to a U.S. campus, but as these programs evolve it is not clear that all students will be given this opportunity.

The Graduate-Level Programs

The weaknesses we have outlined for the undergraduate programs are generally less problematic for the graduate level courses. Most of the graduate level courses accept part-time or employed students who already have a solid academic background and are involved in jobs where they use the skills they are seeking to augment. The programs tend to strengthen these skills: English teachers learn new techniques for teaching English or new ways to analyze language structure; young managers learn new techniques for analyzing budgets or new principles for guiding investments. The programs have identified a major unmet need in the Japanese system: its virtual absence of attractive continuing-education degree programs. As labor mobility increases in Japan, this market will also increase, since more working adults will find it worthwhile to invest in their own portable training.

Some of the graduate programs have made targeted efforts to attract U.S. students to Japan. Most notable is Stanford Japan Center in Kyoto, which was established primarily to give its U.S. science and business undergraduates exposure to the Japan setting. Stanford already had opportunities available through study abroad programs for students in other areas but decided to create its own program operating at home-campus standards to house students and collaborative research in these two prime fields. The Stanford Center in Technology and Innovation, located at the Stanford

Japan Center in Kyoto, expects participation by up to five U.S. graduate students from each of the two disciplines, with perhaps limited classroom visitation in the future by Japanese students who are enrolled at local Japanese universities.

Staffing and Academic Support

Japanese higher education programs in the United States have a variety of formats. At one extreme is Asia University, which is close to total immersion in the academic and social life of the affiliated American institutions; the Asia University students draw on the substantial facilities of the host institutions and have little need for supervision by Japanese faculty.

At the other extreme is Showa Joshi. Showa Joshi's goal is to provide a safe environment in the Boston area for its female student body and to control their contact with the local environment. For example, the students are always expected to leave the campus in groups, and they all are required to return by 6 p.m. A former convent was purchased for the program, and the home institution has sent trusted staff to administer the program and teach several of the courses. The efforts of the home staff are supplemented by faculty recruited on a part-time basis from the Boston area. Of special interest is the practice of offering free room and board to young American students in exchange for their serving as peer supervisors in the dormitories; in this way, the Japanese students get a chance to practice their English in the evenings as well as to learn about opportunities for recreation from knowledgeable peers.

In between lies the joint programming of Willamette and Tokyo International University of America. Japanese students live with American students and share campus life, but they receive instruction largely from a Japanese faculty. Teikyo University's prospective programs at Regis College and at Salem College seem to be evolving toward the Showa Joshi model of a separate campus environment for the Japanese students under instruction by Japanese faculty. Each of these three programs, although associated with a Japanese degree-offering institution, lacks Japanese degree recognition and instead is seeking to be identified as a U.S. accredited program.

The major selling point of the American-degree programs is their promise of providing "American-style education" which is depicted as including vigorous interaction in the classroom and the continuous involvement of students in their studies through frequent quizzes, presentations, laboratory work and research papers. Where the courses focus on developing English language skills, the programs promise the cultivation of conversational English in contrast to the stilted English of conventional Japanese higher education.

There is little question that the leaders of American programs in Japan sincerely intend to deliver on their promise of "American-style education." Still, they face a number of interesting questions as they decide what are the essential ingredients for its delivery. Is the essence of American education exportable to another setting where young people have experienced a non-American pattern of schooling? Is an interactive pedagogy the key to American education, and can this be achieved by a skillful manager

regardless of the national background and training of the teachers? If an American institution uses its own name for its Japanese operation, should it staff the Japanese campus largely with faculty from its home campus? What level of library and other facilities are required to bring about a satisfactory quality of American-style education?

It is too early to determine how the American undergraduate programs will ultimately resolve these questions, but thus far many appear to have taken a minimalist approach.

Temple has gone the farthest. It rents three sizeable buildings and a playing field, and has established a library with nearly 100 journals and 20,000 books. In its facilities, Temple has built a state-of-the-art language laboratory and has modest laboratories for chemistry and biology. Finally, in staffing it has achieved a respectable student-teacher ratio of seventeen to one. Approximately one-third of the teachers at the Japanese campus originally came from the home institution, and possibly one-quarter have doctorates. Nearly half of the faculty on the Japanese campus are members of the home campus faculty and will be rotated back after two or three years in Japan.

None of the other American undergraduate programs comes near Temple's level of American staffing and academic support. One university carried out its program on a campus which, at the time of our summer 1989 visit, was still being constructed by the host town; a library had been started and had approximately 3,000 books. Five of its faculty members were from the home campus, and another twelve had been recruited "internationally"; this essentially means that they are walk-ons from other ESL programs in Asia. Another U.S. program had two floors in a Tokyo office building for classes, and another floor in a nearby building for administration. A small room in the second building was designated for the library, but when we visited it had nothing in it. The only representative from the home campus was a pedagogic supervisor, who prior to coming to Japan held a junior position in the ESL program. In a third case, Phillips-Japan had a handsome building with a modest library, but when we visited, it had no representative from the home campus resident in Japan. A Phillips representative was supposed to be in charge of the academic program, but all of the current faculty had been recruited by the Japanese partner and were on contract to that partner as "employees" of Phillips; virtually none had doctorates, and quite a few appeared to have had only a bachelor's degree.

Clearly these institutions differ in the extent of involving home faculty. Temple involves the largest number, and finds that the Japanese experiences of these staff have had an invigorating effect on the home campus. The faculty who have been to Japan have developed new perspectives and in some instances have established professional ties with Japanese scholars. At Temple, partly as a result of the Japanese activities, a new program in Japanese studies is emerging.

Despite Temple's positive experience, there are drawbacks. Faculty who stay too long abroad lose contact with their colleagues back on the home campus and more generally with the main currents of U.S. academic life. To

avoid these possibilities, Temple has placed an outside limit of three years on posting its home faculty to the Japanese campus. Also there are limits on how many faculty from the home campus are prepared to work at a Japanese campus. Temple's Japanese partner wants expansion, but Temple is not encouraging this, as it doubts that it will be able to supply the necessary core of staff from its home campus.

The problem of attracting home faculty becomes especially difficult for those American programs which have selected isolated locations. SIU-Niigata has such a problem. It has selected a site in one of the most remote areas of Japan, Niigata Prefecture. Niigata is connected to Tokyo by a two hour trip on a bullet train, yet culturally it is far away. In the small town adjoining the campus, there are only a handful of restaurants and one movie theatre. There are no major universities or centers of intellectual life nearby. American faculty inevitably feel isolated. Those who bring their families have the option of placing their children in local schools, using a correspondence course, or sending the children to expensive international boarding schools in Tokyo. Several of the first group of U.S. faculty quit mid-term, apparently finding little to enjoy in Nakajo City. Generally speaking, all of the institutions launched under the Gephardt-Nikaido initiative will face similar difficulties; they are being proposed for towns too small or isolated to support a Japanese university or in many cases even a high school. This raises questions of whether these institutions will be able to provide a satisfactory program. Recruiting faculty walk-ons from other foreign campuses is one possibility, but such a strategy may erode the quality of the program. A possible alternative is to develop a consortium with like-minded schools so that the pool of potential faculty recruits is broadened.

If U.S. degree institutions in Japan are to survive and thrive past the start-up phase, they will need to develop creative solutions to insure the quality of their Japan-based faculty.

Conclusion

While many of the U.S. programs in Japan have been legitimated to U.S. boards of trustees for their value in exposing American students to the Japanese system, far few American students have gone to Japan in connection with these programs; nor does it seem that many are likely to go unless more concrete plans are developed toward that end. Thus of the two objectives we identified at the beginning of this chapter, one is not being attended to. The remaining common thread behind these cooperative ventures is their promise of providing "American" higher education to Japanese students. How are they doing?

From a Japanese perspective, American education stands for a challenging experience that stimulates creativity, higher reasoning skills, an ability to speak English, and an empathy for other cultures. Most of the new programs purport to respond to these expectations. Some sincerely seek to meet them; others make less rigorous efforts. As one administrator responsible for an American overseas program indicated: Japanese profit-making language schools have been making good money with poor programs for a long time; our university can offer the same service for a better price. This

individual and his institution were thinking of making money, and they had little concern for offering high-quality "American" higher education to their Japanese clientele. Their orientation appears representative of a substantial minority of the new cooperative venture programs. Perhaps it is worth asking if such programs should be accorded recognition as higher education. This issue will be considered in **Chapter Six**.

It is also being considered in court in Japan, where an institution which has long troubled U.S. accreditors has been challenged by an angry Japanese student:

Osaka Student Sues

(Excerpts from Yomiuru Shinbun, *New York Edition. p. 2, December 17, 1989.)*

OSAKA - A student in the newly opened Japanese branch of the United States International University has sued the university branch and the mayor of Kisaiwada, Osaka-fu, for Y3.15 million, claiming that the school's curriculum is inadequate and its operation more like a cram school than a university...

The Japanese branch of the university opened in Kishiwada in April. The lawsuit says that the Kishiwada city government has invited USIU, which is based in San Diego, California to establish the Japanese campus and had placed extravagant advertisements in a city newsletter for a U.S. university branch that would eventually comprise eight departments and 1,000 students.

According to the text of the suit, the city built a temporary campus in the grounds of Kishiwada Municipal Central Welfare Center and leased the facility to the university for free. When she enrolled, the student was told that she could eventually transfer to the main campus in San Diego to study Spanish.

The school's curriculum was vague and nonsystematic, however, the student said in papers filed in court. No professors from the main campus came to teach, as she had been promised. And she learned that Spanish is not offered in the San Diego campus.

Angered, she and her classmates demanded an explanation from school officials. But she was suspended on September 1st, soon after negotiations with the school began.

A USIU official for the Japanese branch said that the school's curriculum and organization were made clear during preadmission counseling.

V.
Who Controls the Use of Public Resources?

The previous chapter discusses the educational outcomes of the new wave of Japan-U.S. institutions and programs. This chapter focuses on public concerns about their purpose. As the cases have illustrated, economic motives have been strong on both sides and at all levels. However, educational quality and institutional purpose are two sides of the same problem: if a program's primary motive is something other than providing an education that will benefit the nation where it operates, then—short of law and regulation—how can a program be expected to meet that society's needs?

The issues raised in this chapter concern the use of public resources and the protection of public benefits in higher education. In both Japan and the United States substantial public resources are devoted to higher education, and each nation's system is considered a national treasure. Laws in both countries have been established to define and protect the public's investment. This chapter frames its public policy issues primarily in terms of U.S. law, in part because that is most familiar to the research team. However, the public policy issues themselves are fundamental enough to concern readers whether they are mapped onto the legal system of one nation or the other. At this point, with Japan's ministries taking a wait-and-see stance toward the new educational ventures, many of the new agreements are being designed around their participants' interpretation of long-standing U.S. legal restrictions. In fact, many of the contracts specify that U.S. laws will govern the arrangement. In the decentralized U.S. system, however, there are several legal arenas where educational policy is defined. Therefore, in making a tour of the venues on the U.S. side, it is hoped that the study will be of particular use to those who need an introduction to the U.S. system, while the analogues and differences on the Japan side may be clear to readers who are familiar with Japanese law.

One of the concepts of public benefit frequently applied to education is the question of fair distribution, a concern that those in society who pay for a benefit receive a fair return. The other concept is that of charitable purpose, a concern worked out variously in different societies that education be reserved to some degree for general rather than private benefit. Distributional issues are addressed in the first section of this chapter, a section specific to U.S. public institutions. The question of charitable purpose is explored in the second section, which is specific to U.S. private nonprofit institutions. Both issues combine in the third section's discussion of U.S. proprietary schools. A fourth section on governmental entities involves both

concepts, with examples drawn from the Japan municipality branch campus movement. A fifth section outlines options being designed in Japan to resolve local public policy issues. The five sections taken together tell the story of how the new U.S.-Japan ventures have been faring as the questions of public resources and public benefit have begun to emerge politically, legally, and operationally over the brief history of the new movement.

Issues Involving U.S. Public Institutions

What if a project involves public resources? The resources can be tangible, like public funds or land, or they may be intangible, like the power to contract or to offer access to a publicly subsidized education system. For long-term political support, a plan must demonstrate that the benefits of the project provide a return to those who support its costs and risks.

To date, public institutions in Japan have not been involved in the new ventures. In most cases involving American public institutions, state law prohibits the use of public funds for projects such as branch campuses in Japan. These state provisions become the starting point from which negotiations proceed and generally are written into the final contract. The venture develops a contract in which the college offers certain services at a fee that covers all related direct expenses and a portion of indirect costs also, expressed as overhead or as a fee or royalty.

Problems can arise when the U.S. institution, in its contracts or advertising, implies access to classroom seats in a state's public system. Even at out-of-state tuition rates, the taxpayers of a state generally subsidize students in a system especially if the costs of capital are considered. In response to this concern, generally the case is made (a) that foreign students bring in money and (b) that a long-term connection with Japan will benefit all taxpayers in the state. An institution which benefits financially from a Japan branch sometimes offers transfer access not just to its own campus but to other public institutions in the state. Opposition then may come both from those institutions and from the system as a whole.

Experience in the State of Washington shows how these concerns can work their way through the political process to block new programs. Edmonds Community College in Washington took a leading role in establishing a program in Japan with Kobe Koryo Gakuen, a private senior high school whose chairman leads the Mizota Group corporate conglomerate. The program offers one year of intensive English language instruction plus two years of education leading to an associate degree, all of which is done in Japan. The instructional programs include Intensive English as a Second Language, an Associate of Arts degree program for college "transfer" and Associate of Technical Arts degree programs in International Business, Office Administration, Bilingual Executive Secretary, Hotel/Hospitality, and language and culture. According to the contract, at the end of the second year of the academic program at the Edmonds Community College Japan Campus, Edmonds Community College "shall assist in the transfer arrangement for all academically eligible students, who desire to do so, to a four year transfer institution in the State of Washington or elsewhere in the United States of America, where such students may complete their baccalaureate degrees."

Edmonds Community College receives "royalties" in consideration for conducting the academic program, for preparing the courses to be offered, for dispatching teaching personnel, for the use of the name "Edmonds Community College in Kobe, Japan," and for transfer assistance. Informal estimates of the project's financial outcomes, if the Japan college reaches its projected 2,000 students, are given below:

Financial Projections for Edmonds in Japan
(Based on an enrollment target of 2,000 students and data from documents and interviews)

Tuition Revenue (at $10,000 per student):	$20,000,000
Expenses:	
Royalty to Edmonds	$ 600,000
Instructional Staff (at targeted student/faculty ratios)	$ 4,000,000
Physical Plant Interest (at 3% to 4%)	$ 3,000,000
Administration and Promotion	$ 3,000,000
Sub-Total	$10,600,000
Projected Operating Profit	$ 9,400,000

This arrangement would keep the whole Edmonds program in Japan with only a royalty payment of $600,000 to Edmonds Community College, resolving the problem of the impact on that campus, but not on the Washington State system as whole. The Japanese partner assumes all risks and start-up expenses in hopes of achieving a favorable return over the long run if enough students enroll.

According to the Edmonds President, "We expect about 1,000 students this first year which begins in April 1990. The Mizota Group has committed about $90,000,000 in capital construction, equipment, and furnishings. While I do not know the exact financial status, I suspect that they will need about $9,000,000 a year for capital debt service. I assume they will operate at a financial loss the first year when we offer only English as a Second Language at an 18/20-to-1 student faculty ratio and begin to operate in the black the second year when the regular college programs begin." In other words, for the cost of capital in the first year of operation (which is probably *not* 10 percent for privately owned educational property in Japan as it roughly is in the United States), Misota achieves a positive cash return in future years plus the full appreciation of its land and buildings.

When Edmonds Community College began exploring the prospects for making such an arrangement, two other community colleges in Washington

also became active in negotiations and a number of others expressed interest. An opinion was sought from the State Attorney General concerning the ability of Edmonds to enter into such an agreement. The Attorney General responded that the agreement would be possible under state law so long as it received approval of the State Board of Community College Education and the Higher Education Coordinating Board, the state's two oversight boards for the community college system.

Very soon other community colleges in the state expressed concern that even though they did not necessarily wish to open a branch campus, they would have to do so in order to remain competitive with Edmonds, if Edmonds were to receive a flow of income from such a project. What had been an experiment now became a movement. The oversight boards stepped in. As a member of one state oversight board put it, "You have to make sure, even though you're making a gunny sack full of money, that you're not impacting your home campus with the amount of resources you're taking away from it." (Ron Judd, *Seattle Times*, May 18, 1989, pg. D2.) The State Board of Community College Education considered enacting new standards to ensure that the state could not be held financially liable for failure of any of the campuses. The Higher Education Coordinating Board expressed concern that the state could be misleading Japanese students who would expect an easy transfer to one of Washington's already crowded four year institutions. The oversight boards then declared a moratorium on development of new Japanese campuses. Edmonds and one other continued the process under prior approval; the third community college dropped its negotiations, and the others are all on hold.

Approaches elsewhere for handling the public policy issues in the United States have had different outcomes. In the State of Minnesota, for example, political support was garnered ahead of time by the public university most interested in beginning a project in Japan. Consultations included first lining up support within the higher education system and then within the state from both political and economic sources. They also involved presenting the proposal as a no-risk income-producing arrangement. Sufficient support was arranged ahead of time within the state to allow in-state tuition charges for Japanese students flowing into the state system, plus scholarship aid for U.S. students who would attend the program in Japan. The lead institution became the main agent for building political consensus, working first in its own back yard. The political job was to demonstrate how the institutions and the state would benefit in the long run from starting a program to educate Japanese students in Japan.

Issues Involving U.S. Private Institutions

For private U.S. nonprofit institutions the public resources involved are substantial indirect public subsidies. One type comes through federal or state support for students. The issues which devolved from this type of support are similar to those for direct support of public institutions and have been addressed above. The other type of subsidy is provided through the nation's tax codes in the way U.S. tax law benefits private nonprofit U.S. institutions as charitable corporations. The same issues apply to public institutions but are treated for them under the laws of the fifty states.

How closely can a public benefit institution align itself with a private interest and still operate primarily or exclusively in the public interest? In the United States, the outside boundary to this question for a private nonprofit institution has been articulated through laws that ensure that charitable purposes are protected when such an organization enters into a relationship with private interests. (Analogs for private institutions in Japan are not discussed here because the researchers are unfamiliar with Japanese law.) The most guarded privilege of a nonprofit U.S. higher education institution, besides its accreditation, is its tax exempt status. Tax exempt status protects it from direct tax obligation and encourages the tax-deductible giving which substantially supports many institutions. Proof of institutional tax exempt status is required in order to receive grants from almost all sources. Any operations of an institution which stray outside of its tax exempt purposes are subject to an Unrelated Business Income Tax but do not necessarily threaten its overall exempt status unless they distort the institution's primary purpose.

Public institutions established by statute achieve tax exempt status automatically as instrumentalities of the state. Private nonprofit institutions achieve tax exempt status by demonstrating to the United States Internal Revenue Service that they are organized and operated for education or other charitable purposes. A proprietary institution by definition foregoes these privileges. Hence the obligations implied or imposed by tax exempt status have impact most directly on the business relationships of the private nonprofit institutions. Private U.S. institutions contemplating arrangements with for-profit Japanese partners will find that the implications for their tax exempt status may be as controlling to negotiations as are the "no public funds" provisions which form the basis of negotiations for public sector institutions. An understanding of this limitation is helpful to partners in Japan as well as to U.S. institutions. It is of general interest because it provides an answer, in terms of U.S. law, to questions of propriety which apply to public and private institutions alike in both nations.

Parallel to the recent rise of creative financing arrangements between U.S. educational and other charitable institutions and their outside sources of financing, the United States Internal Revenue Service has sought to clarify the impact on the institution of various business relationships under the Internal Revenue Code's Section 501(c)(3). This is the Code section which defines an institution's "501(c)(3) status" as a tax exempt organization. IRS clarification has been developed most extensively for cases involving hospitals and other medical service delivery organizations. Further clarification is now developing in the area of university research and development, with its variety of research contracts, research subsidiaries, and joint ventures with profit-making entities. Many of these arrangements are analogous in form to the new Japan-U.S. educational ventures which involve private parties.

In general, U.S. law evolves by analogy from applications in one setting, under a set of principles, to applications in another newly-established setting under the same set of principles. Therefore IRS rulings and their court case interpretations in the area of, say, university real estate limited partnerships with business investors, can lead by several years an interpretation for U.S. educational partnerships with private interests in Japan. Clarification of U.S. tax law comes in the form of Internal Revenue Service formal statements of

policy or, informally, from the Service's internal educational materials and opinion letters issued to other private parties. These policies are then the basis for IRS decisions for specific institutions which are subject to court review and to subsequent revision. To foreshorten the process, specific guidance on a proposed arrangement can be sought from the Internal Revenue Service in the form of a private ruling in advance.

Interpretation of what constitutes "private interests" may prove particularly broad for the new international ventures if the apparent operating nature of some private Japanese foundations is taken into account. In the United States a foundation is a suitable nonprofit partner because it is regulated from its own 501(c)(3) status. However, in Japan, the U.S. legal concepts that prohibit the inurement of foundation benefits to private individuals and to related officers may not always be tightly matched in practice. Therefore the U.S. tax issue of private benefit may reach through a Japanese foundation partner to the sources and uses of that foundation's funding. In many cases, the U.S. partner to a Japanese foundation knows nothing of these conditions, having assumed protection by the foundation's nonprofit status and not wishing to pry. For a U.S. partner to remain uninformed is to jeopardize its continued 501(c)(3) status.

A brief outline of evolving U.S. tax issues is given below using material from a Fall 1986 article in *The Journal of College and University Law* (Vol. 13, No. 2). Its co-author, who reviewed the material's interpretation for this report, is a past chairman of the Committee on Exempt Organizations of the American Bar Association's Section on Taxation.

1. Under U.S. tax law there is a prohibition against private benefit to insiders or to outsiders.

> Under the basic governing regulations, a section 501(c)(3) exempt organization must serve a public purpose rather than provide a "private benefit." This test is seen by many as broader than the express statutory prohibition on the "private inurement" of a charity's net earnings to an individual because the "private benefit" prohibition applies to anyone, including "outsiders"- persons who are not founders, officers, directors or otherwise closely identified with the charity, and can involve indirect financial benefits to individuals, while the "inurement" prohibition on any financial benefit to individuals has been administratively and judicially confined to "insiders." (Kertz and Hasson, p. 130.)

Judicial decisions rendered by U.S. courts since 1986 have reinforced the principle that educational institutions and other private charitable organizations may not provide more than incidental financial benefits to "outside" private persons or businesses. An excessive private benefit will be a basis for revocation of an organization's 501(c)(3) status.

2. Controlling board members cannot normally be business partners. Conversely business partners cannot normally become controlling board members. Under the Service's interpretation, inherent conflicts of interest exist if present or former board members and officers of the exempt organization invest in a business partnership or joint venture in

which the exempt organization participates. Without prohibiting inside investors *per se*, the Service expects to see structural arrangements (not just requiring one to abstain from a relevant vote) to isolate the board's ability to act on behalf of its charitable purposes from the ability of an investor to influence such decisions. (Kertz and Hasson, p. 139.) For example, it may be necessary to build structural barriers into an arrangement like Warner Pacific's which gives the college's major creditor both the power of foreclosure and a voice in institutional financial management.

3. "Incidental" private benefit to outsiders is permitted under a three-part regulatory test which has been published as a formal statement of IRS policy. The three tests access a charitable/private interest partnership in terms of (1) its serving a charitable purpose of the charitable party, (2) the charity's control over purpose and the potential for its compromise, and (3) whether the partnership avoids excessive or unwarranted private benefit.

3a. Test one: Is the partnership serving a charitable purpose?
In a series of private rulings and internal legal opinions, the Service has approved a charitable organization's participation as a general partner in a partnership that is organized to conduct activities which are substantially related to the charitable organization's charitable purposes. (Kertz and Hasson, p. 131.)

To satisfy this test, the new joint educational ventures must be able to demonstrate that they serve the U.S. institution's educational, scientific, or other charitable purposes. The U.S. institution may need to amend its charter or articles of incorporation to expand its purposes beyond its state or the U.S. generally. It will then need to describe and document how its conduct of activities in Japan advances its own educational mission, *e.g.*, by attracting to its U.S. campus Japanese students first contacted through its activities in Japan. In contrast, merely using its educational "franchise" or name recognition in Japan to generate revenues to support U.S. activities will not be sufficient. Properly satisfying this first test is essential to its being able to satisfy the next two.

3b. Test two: Does the partnership agreement permit the institution to act exclusively in furtherance of its charitable purposes, or does it place the institution in a position of conflicting responsibilities?
In an effort to avoid this conflict, the Service has informally endorsed the practice of including a provision in the partnership agreement which permits the exempt organization to act exclusively in furtherance of its exempt purposes. Such a provision is more than a self-serving recital, for it does give the charity a contractual protection against the dissatisfied limited partner who might otherwise be able to maintain a successful action for breach of fiduciary duty should the charitable general partner not do all that is possible to maximize the profits of the venture. (Kertz and Hasson, p. 137)

In addition to such a contractual release, the Service has favored:

- buy-out provisions allowing the institution to purchase the partnership's assets,
- controls restricting the pursuit of profit,
- contractual expression of the partnership's charitable objectives,
- alternative parties written into the contract which take responsibility for the investor's interests, and
- insulating arrangements limiting the charitable partner's risk of loss. (Kertz and Hasson, p. 138.)

> The Service does not appear to evaluate the reasonableness of the actual economic arrangement between the charity and its partners, but instead seeks means by which potential conflicts of interests can be resolved in favor of the charity. (Kertz and Hasson, p. 138.)

This favoring of a structured ability to control conflicts and risks in the interest of charitable purpose suggests that the new joint U.S.-Japan educational ventures might benefit from finding ways to write such structures into their contracts.

3c. Test three: Is there potential for "unfair" or "unreasonably large" profit by private parties?

> In its evaluation of specific proposed ventures, the Service has been influenced by the type and magnitude of the charitable purpose being served and by the absence of alternatives to bring about that purpose. . . To evaluate the potential for "undue private benefit," the Service at times has appeared to use an arm's length standard, but current commentary by IRS officials indicates a view that the market reasonableness of negotiated financial terms is not sufficient to avoid a "private benefit" problem . . .Disproportionate allocations of profit and loss, below-market interest rate loans, contributions of services for reduced management or other fees, and sharing of policy or financial decisions are typical areas of arm's length negotiations between unrelated parties and many routine partnerships contain the sorts of economic arrangements now viewed critically by the Service if a charitable organization is involved . . .Some arrangements approved in the past may no longer be acceptable. This seems likely to be the case with disproportionate allocations, apparently because of the Congressional attention given to disproportionate allocations in related areas. (Kertz and Hasson, p. 140 - 142)

What is "unreasonable?" One tax expert suggests that a 50 percent split of an educational venture's net revenues would be considered out of the realm of reasonableness in the U.S. context. However, part of the concept of "unreasonableness" depends on whether or not the charitable institution has other routes available to it for achieving its charitable purposes and whether these routes might offer some lesser degree of private benefit. For instance, if the imbalance of profits which are projected for the Edmonds case were projected instead for a U.S. private institution, that might seem "unreasonable". However, if those sorts of arrangements were demonstrably the only way to conduct private sector U.S. international education in Japan, the imbalance in benefits might be permissible. At present, the rapid

development of alternative models for institutional/private partnership will contribute to the standards of reasonableness should this become an IRS issue.

4. *Using a separate subsidiary entity does not in itself protect exemption.* Not only will the Service require an independent educational, scientific or charitable purpose to justify the exempt status of a [non-profit] subsidiary, but the involvement of the parent charity in funding and managing the subsidiary which normally exists will likely cause the Service to apply the partnership analysis to both parent and subsidiary . . . Moreover, even establishing [a] for-profit subsidiary as a separate taxable entity . . . may not be enough to protect the parent charity under the Service's partnership position. (Kertz and Hasson, p. 143 and 144.)

The potential for the Internal Revenue Service to apply this type of scrutiny to a Japan-U.S. educational venture depends in part on the form chosen (ongoing partnerships vs. annual contracts) and in part on the substance of the relationships. In most cases U.S. institutions have chosen short-term contracts as the safest vehicle. However, if the IRS can reach through the subsidiary concept to protect charitable purposes, it may also choose to reach through the concept of a short-term contract if such contracts imply a long-term commitment to operate in partnership with a private party. In fact, the IRS has in other contexts treated annually-renewed contracts as long-term arrangements. The IRS might ask: Does a series of annualized management contracts express the full operating risks and responsibilities undertaken by a U.S. institution for programs that students may need six years to complete? In cases where the institutional partner receives a management fee but no operating budget, the IRS might ask: Can control of educational purpose be demonstrated separate from control of the instructional budget?

The tests of facts and circumstances that will evolve in this arena under IRS scrutiny could prove far more stringent than those exercised by the U.S. accreditation process. As it stands now, the private U.S. institution which plans to enter into a *de facto* partnership with private interests needs to take a careful look at both current and prospective IRS interpretations. It is certainly advisable to get a private ruling from the IRS on such an arrangement in advance. Moreover, preparing the needed documents will require partners to articulate at the beginning of their relationship:

- exactly who the partners are,
- who will collect what money and who will keep it,
- who will receive what proportion of the benefits,
- what accounting standards will be used to verify the financial flow to IRS satisfaction,
- how and when this information will be shared,
- who will bear what risks and responsibilities,
- who will control the various policy areas, and under what structured provisions, and
- what potential conflicts of interests might be involved for the private partners, and how those conflicts will be resolved in favor of the U.S. institution.

If private institutions take this advice, in effect it will become much more difficult for them to launch programs under "an agreement in principle" even if the programs provisionally meet U.S. accreditation standards. The result will be increased pressure on U.S. public institutions to launch programs under a wider range of state-level scrutiny. However, some states may have prohibitions similar to those which have been elaborated by the IRS. Public institutions will want to raise the public/private benefit issue with their State Attorney General in gaining clearance to proceed.

Issues Involving U.S. Proprietary Institutions

The previous section asks how closely public benefit institutions can align themselves with private interests, including proprietary institutions, and still operate in the public interest. This section asks: Even if there were no unreasonably high private profits developing in the new partnerships, would it be publicly beneficial to allow our proprietary sectors to operate in one another's country as freely as they do at home? As in the previous sections, this question is answered in terms of U.S. policy and practice.

When education is allowed to be for-profit, what are its responsibilities nevertheless to society, and how are these enforced? In the United States, the general public licenses and subsidizes proprietary education on the expectation that its benefits will help fulfill education's dual social purposes of fair distribution and charitable results. However, many U.S. observers are now beginning to take the view that these two laudatory purposes are being overwhelmed or abused by the private benefit component of U.S. proprietary education.

In practical terms there is no way to distinguish between the U.S. proprietary sector and the Japan proprietary sector operating in the United States. In fact, the emerging U.S. proprietary debate highlights the fact that the new Japan-U.S. proprietary ventures are not a "foreign" challenge but are being drawn to a preexisting imbalance in U.S. policy. Therefore understanding the debate over U.S. proprietary policy is essential to understanding how some aspects of the new movement will develop in the United States as the U.S. educational community reconsiders its proprietary sector policies. It is also likely that the new Japanese proprietary programs in the United States will stimulate debate to an early resolution. If an accredited U.S. nonprofit institution can contract out the control and revenue of its degree programs to a Japanese entrepreneur, why can't it do the same with a domestic one? In the United States it already happens; during the research four entirely U.S. cases came to our attention. In one, the nonprofit institution's regional accreditation report reads, in paraphrase:

From a U.S. regional accreditation report:

> For some time, the College has offered graduate courses in conjunction with the Proprietary school which develops, staffs and schedules the courses. Recently, the College has developed courses of its own and has joined these with courses from the Proprietary to create a master's degree program . . .

> The College gives the impression that the Proprietary courses are, and are not, part of the master's program. They may be taken by students seeking graduate credit only, which the College awards, and they may be taken by students who have been admitted to College's master's degree program . . . A student may take the Proprietary courses and later decide to apply for admission to the graduate program.
>
> At issue then, is the integrity of the graduate program . . . By its nature, the master's program raises questions of whether it is in fact a graduate program developed and offered by an accredited institution with a solid reputation, or whether that institution is merely a bridge to respectability for the otherwise unaccredited agency . . .
>
> This College is granted ten more years of regional accreditation.

This example of what may be called "credit contracting" is different from "instructional contracting" as it is practiced in a number of states in order to provide needed instruction using non-state resources. For example, in California since 1975 community colleges have been allowed to contract with proprietary institutions for vocational instruction which is supervised by the community college. Students register and pay tuition as community college students. They receive community college credits and degrees. The proprietary school received a fee per student hour of training *(Cooper,* pp. 27 - 29).

In contrast, the college cited above also offers its credits for proprietary instruction, but to students who register with and pay tuition to the proprietary school. Even if the instructional program is carefully prescribed by the college, its admission policy, administration, and financing remain under proprietary control in a form similar to the split administrative structure examined in **Chapter III**. Under the instructional contracting example, the teaching function is conducted outside the accredited institution but on a cancellable basis under its supervision. In a credit contracting arrangement, the teaching function may be provided and/or supervised by an accredited institution, but the educational, financial, and ethical context of that instruction generally will not be under the accredited institution's control. U.S. accreditation normally is granted only if both instruction and its full institutional context meet minimum accreditation standards. Thus, credit contracting misrepresents the content of a U.S. accredited degree. Moreover, to the extent that the college needs the credit contracting program financially (as this case did), in effect the contracting institution controls the college as well as its degree program.

Proprietary institutions in the United States are of mixed quality, as they are in Japan. In Japan the government makes no official effort to sort out the mixture. Japanese proprietary institutions operate within the bounds of their society's expectations in part because they face strong market discipline. In the United States, the government allows proprietary institutions to conduct their own accreditation but still avoids sorting them officially. Yet the United States market for education does not necessarily discipline poor quality proprietary programs because sources of revenue supporting the programs have been separated from the educational results. In the case cited above,

students were receiving pay bonuses from public employers for accredited master's degree courses regardless of what they learned or how the courses were being taught. By achieving accredited status for its courses, the proprietary institution received funding through this public benefit program regardless of any demonstrated ability to benefit the public educationally.

In the more general picture, U.S. federal student financial aid also tends to flow to proprietary institutions regardless of quality. Often students either do not intend to repay funds borrowed under federally guaranteed loan programs, or they find that they are unable to repay based on the kind of career preparation which they receive. In the past, if a student failed to repay loans it was presumed to be (a) the student's fault for failing in the career, or (b) the student's fault for failing in character. Although the problem of student loan defaults is not limited to the U.S. proprietary sector, its level in that sector has been remarkably high. Recently, in response to federal budget imperatives, federal policy has redefined the student repayment failure as being at least partly an institutional responsibility. With the support of the higher education community, this definition has been backed by threatened disqualification for federal aid where students default on their loans in high proportions.

The incentives for making proprietary profit at the cost of programming in the United States have been heightened by the availability of federal student aid at levels substantially in excess of costs for programs that can be taught at minimal standards under proprietary accreditation. Under these incentives, the weaker the program, the stronger the profits. Abuse of U.S. students and of the funding process have led to strong complaint from public and private nonprofit educational associations. However, effective regulation by the states has been difficult to enact, because the profits made in the proprietary sector support strong legislative lobbying efforts.

The U.S. proprietary institutions are self-regulated through their own accreditation bodies. Within the proprietary sector there are voices in support of quality. These institutions would like to see better practice in support of their distinctive missions, but they face the same political problems within their own associations that reformers face in the state legislatures: there are strong disincentives to quality enforcement. The more reputable institutions find that their well-earned reputations can stand up to and be challenged positively by legitimate competition. Yet they fear that abuses in the sector will detract from the general proprietary image and lead to the restriction of federal support.

Career alternatives which are handled by the proprietary sector in the United States are an important part of the U.S. training spectrum and could become more important over the next decade. Demographics suggest that a larger proportion of the U.S. population will seek such training as an alternative to collegiate education. If welfare reform succeeds in shifting its emphasis to job training, massive new sources of funding will become available to the career school mission. Rather than abandoning the sector for its abuses, the U.S. government will need to encourage its expansion and control its performance.

To preserve the sector and the public benefit of federal aid to proprietary

students, it may be necessary for the U.S. policy community to help the sector construct mechanisms of public oversight which can augment the minimal standards provided by self-regulation. Ideally, these mechanisms should be less indirect and more broadly responsive than the new student aid disqualification policy. Yet they should provide decentralized oversight in order to preserve the free market vigor of the U.S. proprietary system. One possibility discussed here offers an alternative to patterns of contractual control now establishing themselves within the Japan-U.S. movement, and domestically through opportunities left open by the U.S. accreditation process.

The U.S. policy community could learn from the Japan-U.S. experiment about Japan's relationships between proprietary and nonprofit institutions, and adapt those relationships radically to fit U.S. traditions. In Japan, proprietary and nonprofit institutions form cooperative clusters. The owner of a proprietary institution often has influence over the management of a nonprofit institution to a quasi-ownership level of control. In Japan, this is arranged in response to a unique student market which directs students from the proprietary sector into the nonprofit sector, with an opportunity for profit lying in the ability to control the flow.

As the previous section of this chapter demonstrates, U.S. law prevents ties between proprietary and nonprofit institutions where the proprietary interest controls the nonprofit interest. Traditionally, the U.S. proprietary sector differs from the other two sectors by (a) its ownership form of incorporation, and (b) its mission for career training rather than general education, although the latter distinction has been blurred in recent years. U.S. accreditation is based on institutional definition of mission. Accordingly, the nonprofit institutions, public and private, normally would not offer many of the subject areas taught by proprietary institutions, because these forms of training are beyond their stated missions. The concept which follows is intended to suggest how the two types of institutions might associate with one another by ownership and yet remain distinct in terms of mission and incorporation, with accreditation standards appropriate for those distinctive missions and forms of incorporation.

One method for providing increased public oversight without direct government regulation might be to link the U.S. sectors together using traditional methods of nonprofit finance. U.S. nonprofit institutions could operate wholly owned subsidiary for-profit schools with missions distinct from those of the nonprofit owner institutions. This is a mirrored image of the Japanese pattern in terms of linkage and control. Bringing the systems together in this way would provide oversight of some proprietary programs by nonprofit boards, indirectly through ownership, while it would also provide new sources of federal funding indirectly to the nonprofit institutions. Possibilities for managerial and instructional synergy between the proprietary subsidiary and its nonprofit owner would encourage close operating ties leading to improved quality.

The U.S. federal government could encourage these developments by offering favorable Unrelated Business Income Tax status for wholly owned subsidiaries of nonprofit institutions operating as proprietary schools.

Favorable tax treatment would be logical, since for-profit education, albeit in a different mission area, is not an unrelated business for a nonprofit postsecondary institution. The concept is similar to one which now allows program-related investments to be held tax free by U.S. foundations. Introducing competition into the proprietary sector under uneven tax status may seem unfair at first glance, but such an arrangement would provide new markets for the development and sale of high quality proprietary components. Rather than seeking the control of U.S. college credits, educational entrepreneurs could profit by creating "designer" proprietary programs for the nonprofit owners. This happened in California. When the instructional contracting program was new, one-fourth of the contracts were cancelled, and new contractors were sought to perform the instruction more closely to the college's expectations. Eventually 90 percent of the contracting proprietaries served community college students exclusively. (*Cooper*, p. 28-29). Under the ownership control concept, a selective boost in quality and prestige for the proprietary sector similarly would bring increased market discipline for programs that remained educationally marginal.

Besides providing a new element of oversight for the proprietary sector, there is a substantial reason for encouraging such a U.S. sector reorientation at this time: these linkages will happen anyhow, especially if federal tax law limits private profits to a reasonable level, because they are lucrative for the non-profit institutions. So far, only a few U.S. institutions have discovered that proprietary contracts are profitable and can survive accreditation review. Historically, the proprietary sector has been a distinct and nearly invisible part of the U.S. system; only recently has the sector been included in the federal government's general statistical survey of postsecondary education. All this is changing with the flow of federal funds into the proprietary sector, with broader national attention to career education as an economic priority, and with the prospective need for an even larger fulfillment of the career school mission through welfare reform. Into this changing picture now comes Japan-U.S. examples of successful linkage between U.S. non-profit institutions and proprietary interests.

Pressure for entrepreneurial linkage is likely to come first from overseas multinational owners, such as those in East Asia, who already have considerable experience in the profitable use of U.S. accredited programming. There is nothing to exclude those interests from operating in the United States. Their example could spark a new "overseas" movement, with all of its present problems, right at home. Therefore, it would be best if the potential for U.S. sector linkage were realized in a way which does not, by contract, place nonprofit degrees and institutions effectively under the control of the proprietary sector but instead brings that sector more closely into conformity with the public benefit concepts of U.S. postsecondary education.

This section asks: Is it in the public's interest to allow U.S. and Japanese proprietary institutions to operate in one another's country as freely as they do at home? In the United States the answer probably will be: No, and our own should no longer operate that way here, either.

Issues Involving Governmental Partners

Governmental involvement within the United States has been widely supportive of Japan-U.S. partnerships, especially through state agencies that deal with state and regional economic development. In the field of education, however, U.S. involvement has not included using governmental entities as partners in projects. The issue of the use of public resources has been handled differently in Japan. There both resources and partners have been governmental, in the belief that educational projects will support local economic development. U.S. institutions negotiating in Japan, both public and private, report that it is useful to understand early on the structures and processes employed to make the case for governmental involvement in Japan.

According to received wisdom, a first requirement for successfully finding a governmental partner in Japan is finding a stable political situation where both local and prefectural governments are able to raise large amounts of money for the purposes of international education. It can be expected that localities which will not receive direct benefit yet will supply some of the resources will organize opposition through the governmental process, as occurred in the Edmonds case in the United States. Therefore, as the story goes, support for a project has to be sustained through political leadership at all levels, perhaps including the national level, to assure that the substantial costs of such a project can be organized and sustained. Their organization requires establishing legal structures to assemble funds from municipal, prefectural, and private sources and to control disbursement through contracts for construction and services.

Under this governmental partnership model, public funding is considered essential, but equally important to such a project is the control of one of Japan's rarest resources, land. Land for a campus has to be released from public reserves or acquired by a municipality through the consolidation of private property. Land consolidation has proven highly controversial in the past on other types of projects, such as the Narita Airport. Proper development of a campus and its environs requires enough land for academic and dormitory buildings, faculty housing, and recreational purposes. Long-range planning might include reserves for future growth, including research parks, hotel accommodations, etc. In at least one case plans have called for the development of a golf course. In another case the city negotiated for programs in golfing and hotel management, programs which the U.S. institutional partner did not offer but which would require resort development. They settled for business management instead. Even without such amenities, a fully developed campus can represent major land development for a locality. For example, development of a Minnesota State System campus in Yuwa, a town of 9,000 people in the rural north, could change the nature of the town. Presumably these changes are desirable, but large-scale change of any sort can be difficult to sell politically, especially if it involves the commitment of land.

Locating and developing the consensus needed to bring such resources together have become the special task of the U.S.-Japan Committee for Promoting Trade Expansion (for a brief history, see **Chapter II**). According to the Committee's executive director, the Committee reviews municipalities

which would like to host a U.S. branch campus. It judges the capabilities of municipalities to offer the financial commitment and to mobilize the manpower and political support needed for such a project. This involves a financial review made through the Ministry of the Interior, including a check on the debt structure of the municipality. The Committee also examines local politics and assesses the balance of power between the mayor and the city assembly, and the stability of the mayor's political situation.

As part of its advocacy role, the Committee conducts meetings with people from the localities in advance of negotiations, reviews their initial proposals, and volunteers to serve as a negotiator on the municipality's behalf. For its services, the Committee receives a fee reported to be in excess of $300,000 per site. According to the Executive Director, the funds received are "compensation for their costs for negotiations, travel and administrative paper work only." Spokesmen for colleges whose negotiations have succeeded state that the Committee's role is indeed helpful to the negotiation process.

The strength of the mayor's support in the city assembly can be augmented by support from the governor or from Diet members who have the same constituency. The Committee's executive director explains that at times it is necessary for the Committee to assemble support for a project at the national level. For instance, if a mayor and a governor are not working together, and there are no strong Diet members from the locality, the Committee may need to consolidate political support for the project in the Diet. This encourages other Diet members from that district to gather endorsement of projects and to help defuse potential opposing forces from other localities in the prefecture.

For U.S. institutions, one of the drawbacks of working with public resources is that elective officers who put themselves on the line for a project face election on a regular basis. A project's political supporters have constant concern over the public image of a program. This inevitably puts pressure on the partner U.S. institution. Where there is high student attrition or slow advancement by students, these pressures can come to bear directly on academic standards and especially on the TOEFL scores required for advancement. Continued reliance on a political system which is outside its own realm of influence can also become an operating concern for the U.S. institution. For example, in the town of Koriyama, where Texas A & M University is planning a campus, the establishment of an American university became a major political issue for the opposition candidate in the mayor's reelection campaign. The incumbent mayor won by only one-half of one percent of the votes cast. The campus project has moved forward, but post-election delay in its efforts to recruit high school graduates made it necessary to admit some adults also in order to fill enrollment targets for the pilot stage. Now a citizen's group has filed suit to block public funding for the program.

Part of the work of organizing political consensus behind these projects, explains the Committee's executive director, has been to project information about the benefits experienced in other localities. The Trade Expansion Committee has specialized in developing state-of-the-art, upbeat informa-

tion which is circulated among the mayors on a timely basis. Reports are usually factual but, according to three of the institutions reported upon, are not always objective or complete. In two cases the repeated use of a U.S. institution's name, despite firm protest that no branch campus arrangements would be considered, led the U.S. institutions to establish Japan-based centers or research institutes in self-defense. In addition, a great deal of media interest has been generated for the new programs. Daily press intrusion at one site forced the institution to impose limitations when students and faculty complained that they could not function in class.

According to the Committee's executive director, one of the advantages of the Committee structure in Japan is that it has been able to work at the ministry level to build and consolidate support for the branch campus concept and to defuse opposition to it. For example, early in the movement to establish branch campuses, the Ministry of Education preferred to take a wait-and-see attitude, declining to certify the new institutions as universities, as daigaku under Japanese regulations. But the local governments were primarily concerned that the U.S. colleges contribute to their local economies as licensed universities rather than as "miscellaneous schools" whose graduates would not receive university diplomas recognized in Japan. In response to this dilemma, the Committee suggested that a commission be established to produce guidelines which would enable U.S. colleges to have maximal impact on local economies. This commission was established by the National Land Agency rather than by the Ministry of Education. According to the *Japan Economic Journal* (December 5, 1987), "The Ministry of Education originally stood away from the whole idea of U.S. campuses in Japan, but now that the National Land Agency has decided to intervene, the Ministry has had to agree to send a planning officer of its higher education bureau to the Committee as an observer." Along the same lines, the National Land Agency's committee decided not to judge U.S. campuses in educational terms but instead to concentrate on their economic advantages and disadvantages.

The same executive director serves both the U.S.-Japan Committee for Promoting Trade Expansion (the Committee) and a related foundation called the Association for Japan-U.S. Community Exchanges (the Association) from the offices in Tokyo known as the International Lobby. The Association is set up to serve as a facilitating body for the Committee's work. As explained by the executive director, this is necessary because a locality needs an approved school entity before it can use public funds to build a campus, and it needs to have funds and buildings before receiving state approval for a school. Therefore, a municipality working with the Committee is encouraged to use the Association as an already-established foundation for raising funds and building facilities while it is seeking approval for a school entity.

In the first municipal branch campus case of Southern Illinois University at Nakajo, legal permission to use the Association in this manner had not yet been established. According to the executive director, the process in Nakajo had to take place on two levels, one of which went through full public disclosure and the other of which was private. In that sequence, the mayor took full personal responsibility for the financial outcome while the parties

worked their way to an educational entity which finally was formed in April 1989. To resolve this sequencing problem, permission now has been established either (1) to use tax dollars in Japan for a school entity approved by the governor of a prefecture for special training school (senmon gakko status) and/or (2) to use the Association for Japan-U.S. Community Exchange as a managing foundation. Under this new concept, for example, the Minnesota State University System, at the time of the interview, was applying for school entity status in Japan while using the Association as a facilitating body to build its campus.

The rush to found campuses quickly is in part driven by a sense that the student market is there *now* and will not be as strong five years from now. The operation of a campus itself may or may not provide long-term benefits to all parties, but the construction of the campus and acquisition of its land are events which take place in the very short term and can provide immediate benefit to the controlling parties. The events that lead to a completed campus generally receive very little attention from American partners who are brought in on a "turnkey" basis. The Americans assume that it is the responsibility of the Japan locality to provide the campus ready for their use. As the case documents cited below show, however, failure to control the development process itself can have long-term consequences for the U.S. institution in terms of its contractual relationships.

Under the concept of interim Association assistance, an educational entity once it is established can take over the construction of the campus. However, in the meantime the Association for Japan-U.S. Community Exchange becomes the contracting entity for the development phase. This corresponds with another area of expertise which the Executive Director's staff offers, since several of the staff have worked together previously for a major Japanese construction firm. According to a U.S. administrator, in the Nakajo case not only did the Committee's staff negotiate on behalf of the municipality, but it also actively encouraged the selection of this construction firm as the major builder of the campus. In that early case there had been no legal assignment of the right to contract to any third party such as the Association; thus the mayor and the school's administration were able to limit this construction company's involvement to a relatively small contract for one-half of the faculty housing.

The Minnesota case, coming later, developed a somewhat different arrangement for carrying out its land and construction phase. The formal agreement between Yuwa town and the Minnesota State University Board calls for an independent legal "Entity" to be established at the initiative of Yuwa town, for which Minnesota State University System will conduct an academic program. This entity is defined in the agreement as a "nonprofit corporation for the purpose of the establishment of the educational program. Yuwa shall cause the Entity to obtain a license for MSU-A as a 'special training school' under the laws of Japan. . . Both parties anticipate that the Entity will be formed on or before March 31, 1990." The document continues, "While substantial preparatory work will be required even before the formation of the Entity, for implementation of the project contemplated hereunder, Yuwa intends and Minnesota State University System agrees that Yuwa will perform its obligations hereunder in collaboration with the

U.S.-Japan Committee for Promoting Trade Expansion and Association for Japan-U.S. Community Exchanges, which is a non-profit organization, legally incorporated and chartered under the auspices of the Japanese Government. . ."

Under this agreement, the Committee and the Association are established with a legal role in the decision process for building the campus. The contract designates that facilities will be in place by April of 1991. Therefore, even if an independent entity were to be established by March 31, 1990, work would have to begin on the facilities immediately, under the direction and control of all four parties. Presumably, with the eventual establishment of the independent entity, the services of the Committee and the Association no longer will be needed.

The arrangement which has been devised for the Texas A & M University project in Koriyama represents an evolution of these earlier relationships, where Committee or Association control is temporary, to one which retains the Association as a permanent controlling party. The Koriyama arrangement is found in three contractual documents. The first is an original letter of intent to establish a campus, signed February 10, 1988, between the mayor of Koriyama and the provost of Texas A & M and witnessed by the executive director of the Committee. The second is a Basic Memorandum of Understanding which was signed between the city and the university, on November 29, 1988. The memorandum outlined their mutual responsibilities and called for Koriyama to obtain approval as early as possible for Texas A & M University at Koriyama to operate as an appropriate legal entity to be referred to as "the Entity." The memorandum also stated that before the school entity could be established the Association for Japan-U.S. Community Exchanges would serve as the entity. Koriyama was to make available to the entity (at that point the Association) a "piece of land owned by itself and prepare the ground for this purpose to the extent necessary". In addition, "such facilities (classroom, library, physical education, student center, etc.) as required by the time of opening in May 1990 shall be made available by Koriyama and will be rent-free to the Entity." Under this document Koriyama binds itself to working with the Association and agrees that control of assets goes to the Association until a school entity has been established.

In the third Koriyama contract, yet another relationship was established for the Association, the locality, and the U.S. university. In a May 1989 agreement to begin English language instruction at Koriyama the contract is made between three parties: Texas A & M, a new Foundation for Promoting Higher Education in Koriyama Area, and the Association for Japan-U.S. Community Exchange. Under this agreement the Foundation for Promoting Higher Education in Koriyama Area and the Association for Japan-U.S. Community Exchanges are "hereinafter collectively referred to as 'the Entity'." These two collectively serve as one party in the agreement and Texas A & M serves as the other party. Under this arrangement, even though there is now a Foundation established to represent the local community, the Association retains a controlling role in development of the new institution. This agreement was signed by the Texas A & M provost, by the mayor of Koriyama as chairman of the Foundation, and by the executive

director of the Association for Japan-U.S. Community Exchange, who also witnessed the document as executive director for the U.S.-Japan Committee for Promoting Trade Expansion.

In this way an influential quasi-governmental agency in Japan not connected with the Ministry of Education, and with active connections to the construction industry, is establishing itself as a controlling agent for the founding and operation of U.S. branch campuses in Japan. The control exercised by this arrangement does not yet preclude other arrangements, however; nor is this the only model which has developed on the scene for handling the public policy issues involved.

Alternative Approaches in Japan

This section describes governance and funding models which can serve as alternatives to the municipal partnership model in Japan. U.S. institutions entering discussions with Japanese partners undergo a learning process in which they develop a feel for the actors and interests around them as well as for the immediate opportunities at hand. In the initiative to launch U.S. branch campuses in partnership with municipalities, by far the majority of U.S. institutions initially involved have chosen to withdraw from negotiations. As one visiting representative reported to his president, "The economic development of the area involved should not be one of the primary reasons to establish a branch campus in Japan. Rather, the decision should rest fundamentally on academic grounds and an educational needs assessment, neither of which were sufficiently dealt with or proven at the site interviews and visitations." Some of those who are proceeding have chosen to work with the Committee. Some have entered negotiations with regions that are not working with the Committee. Still others are quietly developing alternative models that do not cede control to a governmental partner and thus preclude the services of the Committee. Some of the models being invented offer alternative patterns for the involvement of public resources and some are designed for the exclusion or the limited involvement of public resources in a project.

Some Japanese partners have chosen not to work through the Committee, and for some, this has been a calculated decision. In about half the cases where this issue was discussed with the researchers, those who have taken an alternative route believe that they do so at some risk. The Committee has chosen to refer to some of these projects, for one reason or another, as illustrations of problems that are caused by not cooperating with the Committee. In an atmosphere which includes what one administrator called "thinly veiled threats," the institutions sometimes feel added pressure to succeed and find at times that they face handicapping situations. Their complaints range from unfavorable media coverage to exclusions from constructive association, or to extended political approval processes or to union activities disruptive of an accreditation visit.

In several cases long-standing relationships between a region in Japan and a region in the United States have suggested that educational exchange would be possible without the review procedures provided by the Committee. Take, for example, the "zipper connection." Originally Georgia Institute

of Technology worked with the Committee, but a major Japan corporation manufacturing zippers in Georgia encouraged them to establish facilities near that corporation's home in Toyama Prefecture. Similarly, a long-standing sister-state relationship made it possible for Shiga Prefecture and the Michigan public education system to negotiate with relative ease. In Osaka, an entirely different path developed through the services of an active prefectural Office of International Relations. Originally Osaka used its Office of International Relations to encourage international educational development by establishing a prefectural scholarship endowment to send Osaka students abroad, and by encouraging the establishment of foreign programs in the prefecture. Currently these foreign programs include Boston University and the United States International University in San Diego, plus Phillips University and City University of New York, both working with proprietary partners.

The evolution of the Boston University program in Osaka is especially interesting because it illustrates ways in which an active prefecture can help establish U.S. programs by working through Japan's corporate relationships rather than its governmental bodies. Boston University got off to a mixed beginning in Japan. At first a dean from the university worked with the Committee to review the possibility of finding a municipal partner for a BU branch campus. Negotiations broke down when the mayor of one town arrived in Boston only to find that negotiations had not been coordinated with the president's office. Instead of working further with municipalities, BU chose to develop Japan relations through a corporate partner, the Sanyo Electric Company. In July, 1988, the Boston University Graduate School of Management established an Management Development Program at Sanyo Electric Company's Educational Training Center in Kobe. Its original pilot project included nearly 50 students in an intensive three-month course covering six of the required courses for the MBA. The remaining ten courses needed for the MBA would be available to the students either at the Boston campus within a minimum of one calendar year, or in Japan within a minimum of three years of continued participation in the program. The program was augmented by support from Osaka's prefectural government, plus various organizations and corporations to help develop a series of symposia and special training programs in cooperation with the BU program.

Boston University chose to develop and assess the corporate program before expanding to a full branch campus. Its considerations included the nature and quality of the students it would serve in Japan and the nature of the program's impact on the home campus in terms of faculty usage and student group concentrations. Meanwhile the Osaka industrial base which had encouraged the original program in Japan, through the lead of the Osaka Industrial Association, has undertaken discussions with Boston University for the purposes of establishing an Osaka campus for the Boston University Graduate School of Management. Under this arrangement it would become the responsibility of the Osaka Industrial Association to create an organizational entity capable of hosting the branch campus; as the Industrial Association moves forward, the Sanyo corporation will become less of a leading force. The initiative here lies with an industrial association, officially encouraged by the prefecture, working in close cooperation with a corporate lead.

In another example, industry sponsorship has worked through an established Japanese university rather than relying on the agency of local government. Although this is a technology transfer case rather than an educational program as has been our primary focus, it is given here as example of a university-to-university project funded directly by those who expect to benefit from it in Japan, with clear benefits and perhaps with hidden costs on the U.S. side. In addition, the case serves as an example of the parallel and more heated debate on technology transfer which is part of the policy setting for the educational programs.

MIT in Japan

Excerpts from correspondence and from the May 11, 1987 Program Agreement between Massachusetts Institute of Technology and Nihon University.

According to an MIT administrator: Our program has a triangle of participants: The MIT Media Lab, Nihon University's College of Engineering, and IARDI (International Advanced Research and Development Institute), which is a nonprofit organization established for the specific purpose of creating and managing this new Laboratory. Faculty and students from other universities are invited to participate. In 1993, we anticipate a new facility located in the Chiba Prefecture.

The document which best describes this arrangement is the 'Program Agreement' dated May 11, 1987. . . This agreement provides for a major endowment to the Media Laboratory — known as the Nichidai Fund. Through this fund, a group of Japanese industrialists, mostly graduates from Nihon University in Tokyo, Japan, have provided $10 million to the Media Laboratory. Interest from the funds is being used for five years to support ongoing Media Laboratory activities and to help Nihon University build a laboratory at the International Advanced Research and Development (IARDI) in Japan that is similar to the Media Laboratory at MIT. After five years, $10 million will remain for the pure endowment of the MIT Media Laboratory.

From the May 11, 1987 Program Agreement: The principal means of long-term collaboration will be joint research projects involving faculty, research staff and graduate students from both institutions working together on research problems of mutual interest. However, the first two years of the Program will be largely devoted to planning activities in Japan and training at the Media Laboratory. The initial purpose of IARDI will be to conduct world-class basic research in the full range of disciplines encompassing media science and technology. At the beginning, IARDI research areas will include the following:

- CAD/CAM/CAE
- Home of the Future
- Learning Research
- Artificial Intelligence
- Computer Art and Music

The Media Laboratory will provide advice to IARDI on the form, organization and design of IARDI and in the selection of computing and other equipment for the media science and technology programs at IARDI.

IARDI will conduct both independent research and joint research. Joint research projects conducted under this Program will specify research tasks, budgets and schedules for each party. During the first two years, procedures will be developed for MIT to subcontract tasks from IARDI in accordance with MIT's standard terms and conditions for conducting such research, modified as mutually acceptable and agreed to by MIT and IARDI to reflect the joint nature of the research.

When the Program is fully operational (i.e. by 1989 or 1990), it is expected that up to five MIT graduate students, each year, would each spend as long as a semester at IARDI in connection with research of mutual interest to the Media Laboratory and IARDI. It is further expected that at least two person-years of MIT faculty and research staff would be spent at IARDI each year to participate in IARDI research. MIT's faculty and staff in Japan will be expected to present research seminars at IARDI and at Nihon University's College of Science and Technology during their visit. For the second phase (three years) of the Program, one or two research affiliates from IARDI will be resident at the Media Laboratory each year for research and training.

As an integral part of this Program, IARDI will provide MIT with an endowment fund for the Media Laboratory as specified in the Endowment Agreement of May 11, 1987, entered into between MIT and IARDI.

For the period of this Program the Director of the Media Laboratory will use the income and part of the capital from this endowment to develop the activities of the Media Laboratory related to this Program, as defined in Article 3 of the Program Agreement, so that it can extend support, collaboration and exchange of personnel in this Program. Thereafter, the Director of the Media Laboratory will use the income from the Nichidai Fund for support for the research areas as described in the Program Agreement; namely CAD/CAM/CAE, Home of the Future, Learning Research, Artificial Intelligence or Computer Art and Music.

U.S. laws and regulations, including those pertaining to the export of critical technology, govern activities under this agreement carried out in the U.S. and Japanese laws and regulations govern activities carried out in Japan.

Title to any invention or discovery [similarly copyright] conceived or reduced to practice in the performance of this research will remain with MIT . . . if such invention or discovery is made in the United States and will remain with IARDI . . . if the same is made in Japan, provided that upon issue of any patent on any such invention or discovery, the patent holding party shall grant to the other an irrevocable, royalty-free, non-transferrable, non-exclusive license to make, have made, use, sell and sublicense at reasonable royalty rates such invention or discovery in the other party's country of origin.

Under this agreement MIT apparently avoids U.S. laws restricting the export of technology. MIT is providing only the means for producing technology to a setting where Japanese laws and traditions pertain: the IARDI laboratory is a Japanese non-profit research corporation operating in Japan presumably with Japanese corporate directors. In return MIT receives overseas training opportunities for its own students and increased access to contract research from Japanese corporations.

Under its agreement MIT also receives $10 million in "pure" endowment. However, these funds have been contractually restricted to the support of research projects whose outcomes will flow back to the research center in Japan through personnel exchange and shared patent rights. In Japan, access by research sponsors to academic research results is expected to be much more open and direct than it is in the United States. Hence the ongoing transhipment allows the sponsoring Japanese corporations a level of access to research results from both the United States and Japan, which would not be possible under U.S. academic tradition. In its productive outcomes the $10 million endowment gift benefits both the receivers and the givers. Moreover, even though MIT receives exclusive rights for future product development in the United States there are no provisions to prevent parallel product development, perhaps earlier in Japan, from capturing the U.S. market.

Because even private university research is considered a publicly supported activity in the United States, the case raises the issue of how cooperative development and/or sale of research abroad will match the U.S. public's expectations for a fair distribution of higher education's benefits on a national basis. As discussed in **Chapter II**, this debate, which involves MIT as a major actor, is a highly visible part of the Japan-U.S. policy setting. In its university-to-university design, the case also suggests questions about balancing reputations and institutional goals while developing university partnerships. Even if Japanese contracts and U.S. licensing prove lucrative, the long term association of MIT with Nihon University may not seem inherently promising. To those familiar with the Japanese system, the partnership is not an obvious match in terms of institutional purpose and prestige. A conclusion drawn by observers in Japan is that MIT has exchanged the exclusiveness of its reputation for an opportunity to profit from research. As one prominent Japanese educator observed, "Perhaps they were drinking yen too rapidly to notice."

In yet another model, a private U.S. university is working with a prefecture where the prefectural decision was made to avoid working with the Committee. In the governance model being designed for that case, the institution will retain control of fiscal as well as academic matters. The plan calls for a diversified offering of degrees as available now at the home campus, plus a conference center and hotel. The legal structures used will be a nonprofit entity in Japan which is to be a wholly controlled subsidiary of the U.S. college. To establish this structure the university is relying on the help of in-house attorneys, a U.S. board that is well connected with the Japan business community, and a host committee in the prefecture, which is helping to consolidate the necessary land. Mortgages taken by the U.S. institution in

order to purchase the land will be secured by the value of the land and its improvements. Funding relies on the debt capacity of the home campus, but will be supported in part by "no-strings" gifts from Japanese corporations to the U.S. institution. By full financial participation, the U.S. university retains control over the flow of funds both for operating purposes and for construction. In this model, the risks as well as the potential benefits of establishing a campus abroad are being handled by the U.S. institution through standard U.S. collegiate business practices with the help of knowledgeable assistance on the scene. Local public funding is not included in the arrangement.

Stanford University is also developing a free-standing arrangement in Japan. A trust established by a private Japanese citizen provides land and facilities. Fund-raising in Japan has covered part of the costs. Because of the land held in trust and the substantial reputation and fund-raising capabilities of Stanford University, it has not been necessary to organize a hosting partnership in Japan or to engage Japanese public resources in ways which might require Stanford University and a governmental entity to share control.

Stanford University in Japan

Excerpts from correspondence received from the Deputy Director of the Stanford Overseas Studies Program.

What we are doing in Japan has been and will continue to be difficult to describe; it has proved confusing to many both in Japan and in the United States because it does not fit the usual models or expectations for American educational or research activities in Japan.

The building where the Stanford programs are located in Japan is in Kyoto, and it is called the Stanford Japan Center. The building and the land on which it sits is in a trust established by a private citizen in Kyoto whose family owns the land and building, and Stanford has a long-term lease with that trust for the building but not the land. Stanford raised about $6 million in Japan to fund construction and furnishing of the building, to provide funds for the first several years of the lease, and to fund future research activities in Japan by Stanford faculty and advanced graduate students. The Stanford Japan Center has classrooms, offices, a computer room, a library, a conference room, and a lounge, but does not have any living facilities.

One educational program at the Stanford Japan Center is the Stanford Center in Technology and Innovation, or SCTI. SCTI is primarily an undergraduate program, with the expected participation of up to five MBA candidates, and perhaps up to five graduate students in engineering. Undergraduate participants are primarily in engineering. Regardless of their area of study or whether they are graduate or undergraduate students, they have a strong interest in learning specifically about matters related to organization, research, development, production, and marketing in areas of high technology in Japan, and the courses we have organized for them to take address those matters. The faculty teaching those courses is American and Japanese.

Another educational program at the Stanford Japan Center is the Kyoto Center for Japanese Studies, a two semester undergraduate program managed by Stanford Overseas Studies for a nine member U.S. university consortium which included Brown, Chicago, Columbia, Cornell, Harvard, Yale, Michigan, Princeton, and Stanford. The curriculum addresses historical and contemporary Japanese culture and society and is taught by American and Japanese faculty.

There will not be any Japanese students enrolled in programs at the Center; we hope that occasionally, as we are able to establish cooperative relations with Kyodai or other local universities, there might be a few Japanese students sitting in on a class with the American students. However, Stanford is not operating a branch university.

Precautions

This chapter outlines constraints placed on U.S. institutions operating in Japan and/or on Japanese interests operating in U.S. higher education, under a set of U.S. expectations about the use of public resources. The chapter does not address Japan's expectations about the private functions or the public purposes of higher education. Nor does it address how public benefit expectations in Japan will be reconciled with the new ventures.

There is recent evidence that the issues will be strongly voiced in Japan. In Koriyama a 4,000 member ad hoc citizens' group has sued to bar the municipal government from using public monies to invite a U.S. branch campus. They believe a U.S. university would cost them a great deal but be of little benefit to local residents. Their suit cites Article 89 of the Japan Constitution which places limits on the outlay or utilization of public properties. (*The Japan Times*, October 6, 1989.)

Both nations have their own ways to articulate policy and bring practice into line with policy. To avoid overreaching, the laws and regulations governing both systems tend to develop as a reaction to events, defining policy in terms of what will not be tolerated. It is hoped that the information contained in this report may provide a basis for beginning corrective processes. Institutions building ahead of adequate regulatory policy will be safest if they can conform to the highest expectations of both their own and their host society for providing education clearly and primarily in the public interest.

VI.
Who Is In Charge of Standards?

How does the principle of nationally based standards for educational institutions apply to the new wave of cooperative ventures, institutions which are in many respects bridging two nations? As we have seen, these institutions tend to obtain their recognition in one nation while operating in a second, and in the case of the U.S. overseas campuses (or their U.S.-based equivalents) the majority of the clients in these overseas campuses are nationals of the second nation. Some may argue that no special standards are necessary, but as we will outline in this chapter there is a growing belief that something needs to be done both on the American and the Japanese side.

The Present Impact of National Standards

The regulatory standards of Japan and the United States apply to a new arrangement variously, depending on the arrangement's formal relationship to institutions which are regulated in either country. It is possible to avoid regulation entirely. For instance, non-credit English language instruction does not require U.S. accreditation review and is not regulated in Japan or the United States. Therefore an English as a Second Language (ESL) program in Japan with transfer arrangements to U.S. colleges will not be regulated in either country. Similarly, a transfer agreement with a U.S. consortium may escape oversight if the relationship is not listed by the consortial institutions in their accrediting reports.

Instruction in the United States which is eligible for transfer to a Japanese university has to be conducted at a U.S. institution which has accreditation at the collegiate level, and Japanese regulations allow the transfer of no more than thirty credit hours. The reverse is not true. U.S. students can receive credit for attending travel programs provided by for-profit organizations overseas (Crow, p. 380). At least a dozen U.S. institutions will accept in transfer a large portion of their required degree credits from Japan programs that may or may not be recognized in Japan. Some of the Japan-side instruction may be English language preparation. Students may also be exempted from TOEFL requirements, effectively removing normal time and proficiency barriers to a U.S. education. At many of such receiving U.S. institutions, moreover, it is understood that students will remain only long enough to validate their U.S. transcripts before moving on into the rest of the U.S. system.

One Japanese administrator explained how a process which might be called "credit pass-through" works: "As long as we can send students everywhere, U.S. accreditation of our programs is not much needed. Eventually Monbusho [the Ministry of Education] will approve what we are doing. Our students finish thirty-six credits here before leaving for the U.S. They go on to [our partner college] to establish their credits, and then they will transfer anywhere. We hope to reach a level of training and quality so that many universities and colleges will accept our credits and our students."

At the other extreme are programs actively trying to meet dual sets of requirements in order to be fully recognized in both countries. The programs in between arrange for credit instruction in one location which will apply to a degree in another location. The key to regulatory control for them is the level of supervision and resources provided by the degree-granting institution. To close the loop, it is expected that the nation where the degree is granted will provide oversight of the home institution's involvement, to whatever extent regulation allows, in order to control the quality of overseas programming. The current efficacy of U.S. accreditation practice in this regard has been called into question by U.S. associations that deal with international education and by the accrediting associations themselves. Pressure is mounting within the associations and from various groups to normalize and tighten procedures.

What is problematic from one point of view is advantageous from another. In the assessment of the administrator quoted above, "American higher education has a very accommodating attitude toward students from all over the world. Some institutions will stretch regulations to take people in. This is flexible and positive. But the current initiatives may end up bending the U.S. system and binding it up just as Japanese students want to go there in great numbers. In the U.S. [various groups] are making barriers the same as Monbusho is making barriers here, but erecting them in America . . . Something must be done to improve the situation."

Regulation in Japan: An Emphasis on Inputs

Of the two national approaches to standards, the Japanese approach currently is placing greater restraints on the establishment of overseas campuses. For example, none of the American campuses in Japan is recognized by the Japanese regulatory system as a collegiate level institution, and all of the Japanese collegiate level programs in the United States have very limited objectives. As a first step in finding who is in charge of standards, it will be helpful to review the Japanese approach.

The basic authority for establishing any formal educational institution in Japan rests with the National Diet. The Japanese Constitution outlines certain broad goals for education, including the provision of universal education through grade nine, a strict prohibition against discrimination of any kind, and a clear protection of both free speech and academic freedom. Within this framework, the Diet has legislated several laws on educational standards which different Ministries are required to implement: those laws for formal education including miscellaneous schools, higher technical colleges, junior colleges, and universities are the responsibility of the Minister of Education.

At the time the original laws were established immediately following World War II, Japanese education was in considerable turmoil due to the wartime devastation of many campuses, rapid inflation which eroded the value of some endowments, and the extensive recommendations for change implicit in the postwar reforms. Thus the postwar regulations outlined ideal standards which institutions would be expected to realize in due course, but which no institution at that time could hope to meet. A noteworthy feature of these standards is their focus on the fiscal, plant, and intellectual inputs of the institutions rather than on what the institutions actually do with these inputs. The basic nature of these standards has not been changed. The only modifications have included recognition of certain new degree programs as acceptable for universities, and the establishment of several new types of higher educational institutions. For example, junior colleges were recognized as a permanent type in 1954, higher technical colleges (senmon gakko) were recognized in 1962, Tsukuba University was recognized as a distinct type of university in 1972, and a new form of graduate educational university was recognized in 1981.

In view of the recognized gap between the specified standards and the actual resources available to universities in the early postwar years, the committees making judgments on the applications of particular institutions were left considerable discretion in their evaluations. The University Chartering Council provided the final recommendations on the appropriateness of recognizing new institutions or programs. In the case of private institutions, it received recommendations from the Private University Council. In the early years, the committees were liberal in their evaluations, but over time they have become progressively more strict. Influencing the tightening of standards is the Ministry of Education's key role in financing higher education, the Minister of Education's final authority in the appointment of members to the respective committees, and the collective sense that Japan is reaching a saturation point in terms of the number of opportunities available for tertiary level study.

A key element in the official standards is the need for a higher educational institution to be supported by an "establishing body." Governments, both national and local, are one type of establishing body. Private school corporations (gakko hojin or "school juridical person") are the second. For a new university to be founded, one important criterion is that it have such a body behind it prepared to devote land and buildings to the university. In the case of private institutions, the land and buildings have to become the property of the corporation, rather than the private property of some individual or profit-making company who then rents these facilities to the foundation. This particular regulation has proved an important restraint on the willingness of certain Japan entrepreneurs to set up Japanese universities; they find it more attractive to set up American universities, where they can privately retain final claim on their investment rather than turn it over to a legally independent corporation.

Under the guidance of the Ministry, separate committees are established for the review of applications from governments and for review of those from private groups. However, both of these committees have to come to terms with the availability of government resources: all of the operating expenses

of public universities come from the government and currently about twenty percent of the operating expenses of private universities come from the government through the government-funded Private School Promotion Foundation. Final review of all applications by the University Chartering Council insures this coordination.

In recent years, the government has taken an extremely conservative view on the establishment of new institutions. However, responding to advice of the Prime Minister's Ad Hoc Committee on Educational Reform, which placed considerable stress on the need for Japan to "internationalize," the Ministry has left the door open for certain modifications of the programs of already established institutions. The two of interest in this study include (1) its openness to the establishment of overseas Japanese campuses for the execution of study abroad programs such as Showa Joshi's Boston program, and (2) its authorization of the inclusion in Japanese degrees of up to 30 credits earned at accredited foreign institutions.

For either of these two options, interested universities are required to submit applications to the appropriate committees. These applications require the institutions to present evidence of the academic integrity of the programs. The applications do not require evidence of other implications of these initiatives, such as their promises for promoting multicultural contacts or for fitting with the needs of the communities where they will be located. In other words, the current procedures fail to cover the very areas where the Japanese overseas programs may encounter the greatest difficulties.

The Japanese process also has no necessary implications for the American campuses currently setting up in Japan. Temple University originally sought approval as a Japanese university, but because its program did not conform to Japanese standards this application was not considered. Rather than apply for a lesser educational category such as a miscellaneous school, where the curricular requirements are more liberal, Temple simply decided to incorporate itself in Japan as a profit-making corporation. Several of the U.S. programs sponsored by local governments have applied for recognition as miscellaneous schools.

Some of the Japanese sponsors of these American programs expect that they will eventually be able to mobilize enough political clout to force the Ministry of Education to revise its educational standards to recognize their programs as "university" programs. In several cases, they have powerful politicians on their boards as well as the "Free Trade" advocates on the American side. Thus they are seeing these new ventures as a route to establishing universities that otherwise would not be possible. A key consideration may be the unwillingness of such sponsors to turn the assets they have invested in these institutions over to a nonprofit school corporation or a local government.

Regulation in the United States: An Emphasis on Process

In the United States, the federal government sets the policy framework for higher education in its tax and funding practices, but leaves it otherwise to each of the 50 states to license educational corporations under widely

varying standards, and to a group of voluntary accrediting associations to monitor quality with very little disciplinary recourse. This provides a minimalist structure for control and a tremendous amount of diversity within the system including diversity of quality. For those unfamiliar with the voluntary system of accreditation in the United States, the Department of Education provides the following basic information in its brochure, "Nationally Recognized Accrediting Agencies and Associations" (January, 1988).

Accreditation in the United States

The United States has no Federal ministry of education or other centralized authority exercising single national control over educational institutions in this country. . .In order to insure a basic level of quality, the practice of accreditation arose in the United States as a means of conducting nongovernmental, peer evaluation of educational institutions and programs.

Private educational associations of regional or national scope have adopted criteria reflecting the qualities of a sound educational program and have developed procedures for evaluating institutions or programs to determine whether or not they are operating at basic levels of quality. . .

The Accrediting Procedure

1. Standards: The accrediting agency, in collaboration with educational institutions, establishes standards.
2. Self-study: The institution or program seeking accreditation prepares a self-evaluation study that measures its performance against the standards established by the accrediting agency.
3. On-site Evaluation: A team selected by the accrediting agency visits the institution or program to determine firsthand if the applicant meets the established standards.
4. Publication: Upon being satisfied that the applicant meets its standards, the accrediting agency lists the institution or program in an official publication with other similarly accredited institutions or programs.
5. Reevaluation: The accrediting agency periodically reevaluates the institutions or programs that it lists to ascertain that continuation of the accredited status is warranted. . .

Types of Accreditation

There are two basic types of educational accreditation, one identified as "institutional" and one referred to as "specialized," or "programmatic". . .

Institutional accreditation normally applies to an entire institution, indicating that each of its parts is contributing to the achievement of an institution's objectives, although not necessarily all on the same level of quality. The various commissions from the regional accrediting associations, for example, perform institutional accreditation, as do some national accrediting agencies . . . Specialized accreditation normally applies to evaluation of programs, departments or schools which usually are parts of a total collegiate or other postsecondary institution. . . Accreditation does not provide automatic

acceptance by an institution of credit earned in another institution, nor does it give assurance of acceptance of graduates by employers. Acceptance of students or graduates is always the prerogative of the receiving institution or employer.

Nongovernmental Coordinating Agencies

The Council on Postsecondary Accreditation. . . recognizes, coordinates, and periodically reviews the work of its member accrediting agencies, determines the appropriateness of existing or proposed accrediting activities, and performs other related functions.

National Recognition of Accrediting Agencies

The U.S. Secretary of Education is required by statute to publish a list of nationally recognized accrediting agencies and associations which the Secretary determines to be reliable authorities as to the quality of training offered by educational institutions and programs.

Most institutions attain eligibility for Federal funds by holding accredited or pre-accredited status with one of the accrediting bodies recognized by the Secretary of Education in addition to fulfilling other eligibility requirements. . .

The commissions of the regional associations and the national accrediting agencies which are recognized by the Secretary have no legal control of educational institutions or programs. They promulgate standards of quality or criteria of institutional excellence and approve or admit to membership those institutions that meet the standards or criteria.

The result is a two-tiered process of report and review. Postsecondary institutions seeking federal funding or recognition status for attracting students band together into voluntary associations which have self-defined standards and evaluation procedures. Some of these associations are considerably more demanding than others. The associations seek recognition by the federal government on the basis of having established a self-regulatory process. With approval of the association by the Department of Education, the association's members receive access to federal funds. The institutions themselves are not evaluated for quality by the federal government. Moreover, an overseas program offered by an institution is only one minor tangential part of its accreditation review under the standards set out by its particular accrediting association. Even the large regional accrediting associations vary widely on issues involving international education. Loss of institutional accreditation solely for overseas abuse is unheard of. In summary, U.S. overseas programs essentially operate at a level three times removed from federal oversight, and an accredited institution can run substandard programs overseas with little effect on its formal status at home.

Part of the problem lies in the limited range of sanctions available to an accrediting association. The association can place an institution on probation with strong effect in its reputation and operating ability, or it can withdraw accreditation (hence federal support), an action which threatens collapse.

Because these measures are extreme and institution-wide, they are exercised only for cases so close to collapse that there is no foreseeable remedy. For problems such as pervasively poor quality or unethical conduct in some operational area, such as overseas education, the accreditation associations have no partial or specific remedies. Therefore they have major constraints on their power to act. Nor can they rank institutions or comment on the specifics of quality. They can only offer private advice and admonitions to do better, often to no effect.

State regulation also varies widely in the enforcement of quality. An educational institutional is corporately chartered by a state as a public institution, a private nonprofit institution, or a private proprietary institution. If it is public it is an agency of the state (or locality) and comes under state rules governing governmental units and the use of tax dollars. If it is a nonprofit institution, it may come under strong state regulation, as in New York State where it is legally part of the State University of New York, or only have registration required of it, as in California. Federal tax laws provide some additional structure for the nonprofit private institutions, because they limit profit-making by private individuals from their operation under the definition of an institution's tax-exempt status. Proprietary schools, on the other hand, are responsible to state laws regarding business practices and to oversight by accrediting associations which qualify them for federal funding.

This system has resulted in wide differences in quality at home and abroad. U.S. institutions that run substantial extension programs, such as Central Michigan University with more than 50 national and international sites, discover which states have the tightest restrictions and generally take their programs to states which offer congenial regulatory climates. Similarly, a certain amount of shopping for or avoidance of stiff regulation occurs when Japan partners seek a U.S. site. One Japanese owner chose to limit his search to strictly regulated New York; others choose to concentrate in California.

The accrediting associations vary in how they treat overseas programs. Normally, overseas programs are reviewed as part of a home institution's regular review, or as a special change in the home institution's status. This concept works best for the overseas branch campus or for the consortium which makes one institution the responsible agent for accreditation oversight. However, a number of the programs in Japan aren't even reviewed. Programs which offer only ESL do not receive accrediting visits because they do not grant degree credits. In some cases the U.S. home institution is not accredited. In one case, a Japanese program was not reported to the accrediting agency and hence was not evaluated when the institution went through its normal review process.

Japanese programs which have been visited by U.S. accreditation teams have faced uneven review standards. As of the writing of this report, the accrediting community has not yet settled upon standard approaches for all types of overseas program. Moreover, some of the new programs necessarily are being evaluated only as startup efforts rather than as complete programs. There is even reported inconsistency in the arrangements that

receive approval from the same accrediting association. For example, a feature which failed one overseas program (lack of control by the home institution over the hiring and firing of faculty) operationally exists at another program which claims positive review by the same association. Even with consistent standards consistently applied, however, U.S. accreditation would discipline only the worst cases and not address the problem of pervasive minimal quality. Yet for many of the new programs visited in Japan, achieving minimal accrediting standards was the ultimate goal of the fledgling institution.

Parallel to the official systems of control in the United States is a system of reputational control which is every bit as pervasive as its Japanese analog. Unlike the monolithic ranking of recognized universities in Japan, however, in the U.S. system reputational ranking is largely implicit and therefore all the more difficult to use analytically or to explain. The U.S. family consumer tends not to understand this ranking system, quite unlike the Japanese family, which is far more likely to understand the relative rankings of various Japanese institutions.

Good advice is also difficult to find. Very few people within the U.S. system have an informed overview across the full scope of public, private, proprietary, accredited, and non-accredited institutions. The people who work in academe may know certain other institutions either by reputation or by type, especially those institutions that are in the same region or within the same type as their own. Occasionally a survey is taken to gather their views. The result is a set of overlapping subjective snapshots which reflect a widely dispersed consensus about who is good at what. In this way a system of reputational discipline and ranking does operate within the United States, but mostly within the academic community. It remains eagerly sought after but impenetrable to outsiders and even to consumers within the United States.

Reputation operates best as a control on overseas quality where institutions already have a national or international reputation worth protecting. It is clear that the Amos Tuck program in Japan is and must be comparable in quality to the Amos Tuck program at Dartmouth. Most of the institutions launching programs in Japan have lesser, regional reputations. Among some such institutions there exists the attitude is that as long as their Japanese program makes money, causes no problems, and boosts the school's image at home, few will know the difference if it is not the best, or care much how it operates. In the words of one U.S. administrator, "Formulating and securing this agreement has been one of the most intense, problematic experiences of my twenty years in higher education, and the most isolating." This sense of professional isolation from the home institution's standards has produced some courageous Japanese administrators, and some who are rash.

The American Debate on Overseas Campuses

The American debate on overseas campuses builds on three decades of discussion about overseas activities such as: study abroad programs, degree-related programs on the overseas bases of the U.S. armed services,

overseas recruiting for study in the United States, and various forms of contracted training provided by higher educational institutions as part of U.S. technical assistance. As Stephen Crowe of the North Central accreditation association notes, the issues covered have been so numerous that "the recurring discussions of appropriate monitoring bogged down." But in the view of Crowe and others, the new overseas cooperative ventures, with their intentions of establishing full-fledged overseas campuses to offer complete degree programs, pose the biggest challenge to date.

The issues raised by the new ventures strike at the heart of currently accepted principles for accreditation of American higher educational institutions. For example, are the overseas ventures legally constituted? It is easy for an American accreditation team to make a judgment about an institution located in the United States where they understand the law. But what about the campuses in Japan which are variously described as corporations or miscellaneous schools and not as higher educational institutions? Are such institutions appropriately legal?

Several of the overseas programs are carried out by overseas partners that would have no status or capability of attracting students in their own country without their linkage to the accredited American institution which is prepared to extend American degree credit for the courses being taught. These overseas partners are often viewed with little regard by educators of their own nation. Many are mere language institutes which do not even offer courses of tertiary level quality. The American institutions, in extending credit to the courses taught by these marginal partners, deflate the value of American education in the eyes of local educators; no one is fooled by the shadow supervision the American partners claim to assert in the educational programs of their foreign partners. Perhaps more serious is the unscrupulousness of some of the foreign partners. They make bold advertisements about the value of the American linkage that are not always true, thus leading young people into false expectations. In Crowe's words, "Accreditation as it currently operates fails to provide sufficient consumer protection abroad."

Another issue is the content of the overseas curriculum. Because the students in the overseas campuses are largely products of local systems, it is necessary to introduce some adaptations of the American educational approach. But is there not some point beyond which adaptations no longer conform to the standards of the home campus, and hence are no longer covered by accreditation? For example, what if the course does not rely on an American text? What if there are no library assignments or written work requirements? What if the language of instruction is not English?

A final challenge to the present system of voluntary accreditation is the apparent diversity in approaches of the several regional and national accreditation associations. Some are attempting to "crack down" on overseas campuses while others have adopted a laissez-faire approach.

Beyond these matters of principle there are practical issues concerning the process of accreditation. For example, should overseas campuses be visited by full accreditation teams? Most of the accrediting associations have elected not to visit the overseas campuses of study abroad programs.

For the Japan programs, at best they have sent two individuals for a brief visit. Instead, most accreditors are relying on reports provided by the home campuses and related interviews. Can this hands-off approach provide sufficient information for a degree program? This is doubtful.

A related issue is the identification of competent individuals capable of carrying out overseas site visits. Such site visits would need to take in much more of the financial and social environment of institutions than is common for U.S. campuses where much more can be assumed. Thus appropriate visits should be more lengthy and draw on the expertise of individuals who have intimate knowledge of the foreign setting. But the recruitment of such talent can be very expensive, and the arrangement of lengthy visits is difficult. In at least one recent instance, a "reputable" individual conducted a site visit at one of the established American campuses in Japan, and submitted a critical report. However, within days of submitting his report, this individual negotiated a contract for the overseas campus of a rival U.S. institution in negotiations which apparently drew on privileged information from the accreditation site visit. In other words, the small pool of capable individuals have so many overlapping interests that they sometimes appear to lose their objectivity.

In sum, the overseas campuses pose substantial challenges to the conventional accreditation process. In recognition of the importance of these challenges, the North Central Association of Colleges and Schools advanced in early 1989 a radical proposal that the accreditation which it grants to U.S.-based campuses not be extended to overseas campuses. This proposal is one extreme in a debate that is scheduled to take place over the next year or two in the U.S. A key actor in this debate is the Council on Postsecondary Accreditation (COPA) which has held a series of national meetings for that very purpose, and has encouraged various interested parties to develop their respective proposals for overseas accreditation. Some of these parties are the established regional accrediting associations. Others are participant groups interested in protecting their programs from association with the worst abuses.

One such interested party is the coalition of several universities associated with the U.S. Foundation for Trade Promotion. Over several meetings during 1989 they have come to agree on 19 principles that should characterize American programs in Japan. These principles are as follows.

DRAFT PROPOSED GUIDELINES
For
The Evaluation of Branch Campuses of
United States Universities in Japan

November 28, 1989

AUTHORIZATION

1. The U.S. institution documents the accepted legal basis for its operation in the host country.

2. The international program has received all appropriate internal approvals, and/or that of the governing board.

3. The U.S. institution, or institution within a group, system, consortium or regional association, with a branch campus program, has received accreditation from a regional accrediting body recognized by the Council on Post-Secondary Accreditation and/or the U.S. Department of Education. Participating institutions have approval to include the branch campus within its accredited status and will seek an on-site accreditation visit within a reasonable amount of time. (TO BE DISCUSSED: The institution will include these guidelines within the goal statement against which the accrediting agency will compare the performance of the institution.)

SCOPE AND RESOURCES

4. The institution providing a branch campus program is at the baccalaureate level or higher.

5. The institution currently uses and assures the continuing use of adequate physical facilities for its international educational program, including classrooms, offices, libraries and laboratories.

6. Upon request, the U.S. institution provides evidence of financial soundness and stability.

7. English is the primary language of instruction at the Japanese branch.

JAPANESE AND U.S. STUDENTS

8. Students recruited for the Japanese campus will be selected in accordance with criteria similar to those used to select students for the U.S. campus. Students not from the United States will be evaluated with an awareness for the cultural differences between students from their native country and the expectations of the U.S. university.

9. The U.S. institution has a clear written agreement in which it establishes plans for protecting the academic credits of students who have not completed a predetermined educational objective if and when the U.S. institution terminates its branch campus.

10. The U.S. university has established goals for participation by U.S. students in the branch campus program.

11. The U.S. university has established and distributed guidelines for the evaluation of the English as a Second Language (ESL) program.

12. All academic credits earned in Japan are recorded within the official records of the U.S. campus as transferrable credit for the student's concerns, and all academic credits are applicable to degree programs.

CONTROL AND ADMINISTRATION

13. The Japanese branch campus program is governed by a written agreement, in English, between the institutions involved.

14. The U.S. university system, consortium or association has designated a single administrative unit responsible for administration and U.S.-based operation of the Japanese branch campus.

15. The U.S. university control the academic program including curriculum, course offerings and academic organization and administration.

16. The U.S. university controls all faculty qualification and selection, including whether the faculty be U.S. or local hire.

17. The U.S. university controls all funds designated for the delivery of academic programs, including costs for administration, faculty and staff, and classroom facilities. The budget has been established as a determined amount, based on either a lump sum or a fixed tuition for individual enrollees.

ETHICS AND PUBLIC DISCLOSURE

18. The U.S. university has not sold or franchised the rights to its name in Japan in return for a lump sum, annual payment or management fee, whether expressed in terms of a fixed amount or a percentage of income collected by the Japanese entity.

19. The U.S. university, and its Japanese partner, promote the branch campus program with factual, fair and accurate public communication about the goals, objectives, academic programs, degree studies and student services which are to be found on the branch campus. Such information will be reviewed by appropriate administrative officials at the main administrative office in the United States and found to be true and correct.

Careful reading of this proposal shows that its principles conform with the approach of the included institutions but may discriminate against other worthy efforts. For example, Temple, which has eschewed relationships with a local government establishing body or a private school juristic person, will not have an agreement between "institutions". Through one provision or another, these "guidelines" exclude any institution with a private Japanese partner such as Temple, instruction shared university to university such as Dartmouth and International University of Japan, university corporate programs such as Boston University at Sanyo, universities without partners such as Stanford, all community college or junior college programs such as Sullivan County Community College's SUNY program in Toyama, consortial arrangements such as those being sought by the University of Tennessee, all strictly proprietary arrangements such as the Katharine Gibbs program with Berlitz, and joint research centers such as the MIT/

Nihon laboratory in Chiba. Thus in an attempt to distinguish their programs from some of the most offensive situations, this group also separates itself from some of the best. Because their guidelines imply that acceptability is exclusive to the municipal branch campus arrangements, this group's efforts appear to reinforce the cartel position of the municipal organizing Committee in Japan. The U.S. group receives direct information and encouragement from that Committee.

Partly in response to these developments, the North Central Association of Colleges and Schools has developed its own draft of guidelines, (appearing in **Appendix II**), which are being reviewed by other regional accrediting associations. Alternative proposals are being drafted, and it is unclear how this debate will or should evolve. However, it is reassuring to see that steps are being taken in the U.S. to decide who, if anybody, will be in charge of standards.

Who Is Concerned With the International Balance on American Campuses?

One outcome of American entrepreneurial activities has been the large number of foreign students on certain American campuses. As was observed in **Chapter II**, many of the public institutions that have expressed interest in establishing campuses in Japan had prior experience in Southeast Asia or elsewhere. For example, Southern Illinois University at Carbondale has a contract to provide higher education to Malaysian students, and reportedly as many as 2,000 Malaysian students have been on its campus at one time. The Japanese program will bring another large foreign contingent. Ohio University, which seeks to establish a Japanese campus in 1990, also has a large foreign student body.

The presence of large numbers of foreign students on American campuses raises important educational questions. The traditional presumption has been that the foreign students have been sought as a means of broadening the multicultural experience of their American hosts. Are some of the American institutions seeking to become international institutions that attract students from around the world without serious concern for their impact on the broader American campus and community?

Assuming that increasing numbers of foreign students will be coming to particular campuses, is it desirable to achieve a mix from many nations or to concentrate on just a few, or even on only one? One of the dangers of receiving large numbers from a particular foreign country is that these students may turn inward and create overseas ghettos. This was once reported to be the case for the Malaysian students in Southern Illinois University at Carbondale with the result that the students spent most of the time speaking *bahasa melayu*, undercutting their objectives of improving their English and performing well in classes taught in English. Moreover, the fundamentalist religious beliefs of some Malaysian students were strengthened so that they experienced a sense of alienation upon returning to their home country. The Malaysian government, which had sponsored their visit, was dissatisfied with these developments at SIU and elsewhere, and began exploring alternative educational solutions like the Malaysia-based U.S. training programs.

The Asia University program will bring several hundred Japanese students to each of several Mountain State campuses in the United States for a semester's stay. Will these students become comfortably integrated into the American educational process, or will they establish a counter-culture? The Salem-Teikyo program plans to place 500 Japanese students who are not fluent in English into dormitories with 500 American students who do not know Japanese. What results can be expected, and what planning is being done to encourage mutual benefits? The Regis-Teikyo program plans to house 2,000 Japanese students taking classes taught in Japanese at a campus entirely separate from American students. What will be learned of America or of the students' home culture? The new cooperative ventures raise a number of important educational questions that need to be considered on both sides of the Pacific.

Where is the Japanese Debate?

American accreditation associations and higher educators have begun to recognize the significance of these new international cooperative ventures and are searching for new means to positively influence them. But there is very little evidence of parallel discussions in Japan. Each new international activity is given a factual report in the popular press and several journals have emerged to illustrate the new possibilities for overseas study. But we are not aware of any actions either in the Ministry of Education or the several national university associations to review the implications of overseas campuses and outline some measures to influence them.

The only official step taken so far has been some recent fact-finding limited to the potential establishment of Japanese branch institutions overseas. In December 1989, the Ministry of Education announced that Japanese schools must consult with the Ministry before they make decisions regarding the establishment of branch campuses overseas. According to the news report, the Ministry wants to have a grasp of its situation. Recent survey research showed that approximately 10 percent (123 school corporations) of all Japanese school corporations have been somewhat interested in establishing branch campuses overseas at both collegiate and pre-collegiate levels. The Ministry is specifically concerned with their purposes based upon founding necessities and the institutions' blue-prints for development. The Ministry is also concerned with financial resources. Where will the funds come from? And in terms of administration, who will be responsible for the particular overseas school in each school corporation? It will be expected that the organizational structure of such an overseas school will be clear for everybody, especially the students and their parents.

All these questions are pertinent for recognizing overseas credits within the formal Japanese system of school corporations. However, the relationship of Japan's large entrepreneurial sector to overseas programs at home and abroad is not covered. Neither is there yet a discussion of where this data could lead in terms of policy. This is unfortunate, because it is clear that many of the new ventures are not working out as planned. On the American side, it is apparent that some of the local U.S. communities are offended by what they perceive as a Japanese invasion, and at least in two instances

community action has emerged to stop prospective ventures. In many other instances, American college presidents or their boards have reviewed and rejected Japanese offers with indignation. In other words, many of these ventures are serving to damage rather than to improve multicultural understanding. Similarly, on the Japanese side some local communities have mobilized to express their opposition to prospective American invasions. A citizen's group in Koriyama has filed suit to stop the proposal that would bring Texas A&M University to their town.

These unwanted developments require thoughtful attention by Japanese and American educators.

Points of Incompatibility

Throughout the nations of the world there is agreement that institutions which provide educational services should meet certain standards. The reasons for such standards are not always made clear, but they tend to revolve around notions of insuring the quality of educational programs both to protect those who attend these programs and to confer status on those who conduct them. Without such standards, it would be easy to debase the value of a university degree or the status of professors. But mainly because of the distinctive features of national educational systems, there is no common agreement between nations on what these standards should be. Rather, the nations have agreed to disagree and to allow each to set and defend the standards that apply to its own institutions. Thus, as was shown in this chapter, the objectives and procedures for the maintenance of educational standards in Japan and the U.S. are contradictory in at least three different ways:

1. *Inputs Versus Process.* Japanese standards focus on what goes into institutions in terms of property, buildings, and staff; public leverage on educational institutions is focused on these inputs. For examples, salary subsidies can be withdrawn from offending institutions, and unwanted proposals for new institutions or campuses can fail to gain approval. None of the American degree programs in Japan have been approved by the normal Japanese establishment process, apparently because the Japanese Ministry of Education does not feel that these programs are needed or that they meet input standards in Japan. In contrast, in the U.S. accreditation focuses on the educational process; anyone who wishes can start an institution with whatever inputs they wish, but the burden is on them to show that they can create a meaningful process of education. The American approach places few restraints on the creation of new educational enterprises, including overseas campuses, and has yet to develop effective mechanisms to evaluate their results.

2. *The Public and Private Sectors.* The U.S. regulatory environment is decentralized and inconsistent. The Japanese one is bifurcated between highly centralized control and virtually none. In both systems, all higher educational institutions are deemed to have a public purpose, but the distinction is sharper in the Japanese case. Hence, Japanese procedures for the maintenance of standards bear down most heavily on public institutions, while allowing considerable

freedom to private nonprofit and profit-making institutions. It is these latter institutions that are participating in the new wave with neither the blessing or the discouragement of Japanese regulators.

3. *Degree-Level Standards Versus the Rest.* In both systems, the regulatory process is primarily oriented toward nonprofit formal degree-granting educational institutions. Other institutions are allowed to operate pretty much as they wish, so long as they do not claim to deliver a product equal to the mainstream institutions. In the new wave, several of the new ventures consist of profit-making ventures from one nation (usually Japan) seeking to establish a partnership with degree-granting institutions in the other nation. Or, in the case of the American overseas campuses, a U.S. higher-education institution establishes a partnership with a Japanese local government rather than with a university. These unequal partnerships have been launched in order to circumvent the normal process of establishment. What is not fully appreciated on the American side is that the Japanese partners with whom they are working may have little commitment to the conventional objectives and norms of higher education.

These then are three areas of potential incompatibility in the cooperative ventures. What can be done to alleviate them? That will be the focus of the final chapter.

VII. Summary and Recommendations

Education is not often the cause of conflict between nations, but for Japan and the United States, the new wave of joint educational developments could be an exception. To help build more solid ground for future economic relations, we urge the educational leadership of both nations to respond to the situations presented in this report.

The Japan-U.S. cooperative educational ventures open a new era of experiment in global educational development for the United States and for Japan. Enough information is now available from the experiment to help both nations develop enforceable norms. This chapter summarizes the problems found during our study and presents our recommendations for reform.

What We Studied

At the national political level, joint educational development has been encouraged as a means for developing closer cultural and economic ties between the two countries at a time when relations between them are particularly sensitive. National political involvement reflects two levels of concern, the first being for relations between the two bodies politic and the second being for the impact of the new developments on education.

The Japan-U.S. higher education picture now contains two parallel developments new to international education. These are the development in Japan of branches of U.S. institutions offering components of or entire U.S. degree programs, and the development in the United States of college campuses or credit programs which involve some level of Japanese control over U.S. institutions. Based on the study of over 100 cases in which institutions have either considered, negotiated, or established a program in the other country, we report the current status of Japan-U.S. higher education ventures as a set of new arrangements which share the control of education in one country with parties from the other country.

What We Found

There is a remarkable level of invention, flexibility and energy in the movement we studied. The educators who are building new programs devote themselves wholeheartedly to the task. They have found new opportunities. They have created some good programs and some that are less than good. They have risked enough in experiment to show real promise. Collectively, they have matched a particular market demand to the full range of motives for educational development in the two countries.

The market is based on the demand for higher education by Japanese students which has been perceived in both countries by educators and entrepreneurs. The market is encouraged by the desire of U.S. college presidents to create a Japanese connection for their states and institutions, with hopes that larger numbers of U.S. students will someday share a Pacific vision. The demand in Japan is for an education and degree that symbolize "international" skills and competence. Both Japanese and American young people want this degree, but opportunities for it which are now available in Japanese institutions have not kept up with demand. So American degrees are attractive as a second choice for Japanese students.

The movement takes its particular forms because of a perceived imbalance in national assets and regulation. Financial assets and a student market in Japan face tight regulation within the formal education system there, while the technical capacity for educational quality in the United States is being conducted under relatively loose regulation. The Japanese market is responding to opportunities left open by the U.S. system of accreditation and control. These opportunities predate the new movement but now require attention. The new ventures are important to both nations. Powerful motives are behind their development:

- The desire to learn.
- The desire to educate.
- The desire to innovate.
- The desire to understand each other.
- The desire to advance status.
- The desire to promote development.
- The desire to make money.

All are laudable motives, but in some of the combinations that have emerged there is reason for concern that the latter motives have dominated, with the result that inadequate educational programs have been launched and students and communities have been harmed.

The ideals which brought American educators to Japan in earlier decades, and the aspirations of the Japanese students to advance in excellence are now being threatened by a climate of opportunism. Some individuals, such as the head of Asia University and the founders of the International University of Japan, remain spokesmen by their actions for the ideal. There are others who have an eye primarily on commercial advantage. Even where ideals prevail, however, the new experiments are developing unevenly in terms of quality with spots of excellence but also with many less fortunate situations.

As a result two broad issues have been raised: (1) Are the educational programs offered by some of the new ventures below acceptable standards? (2) Could the manner in which the ventures are being established damage the integrity of higher education in the two nations?

The most serious underlying problem is a pedagogical one. If English is to be the language of instruction for a U.S. degree, then the students, who may not be Japan's best, must develop enough English capability for collegiate level instruction. When students cannot achieve this in the expected time, both their families and the institutions are disappointed. Many of the experiments improvise solutions to this problem which are not educationally sound. The second most serious underlying problem is that financial opportunities are great, and restrictions are few.

In brief, the problems we found in too many cases are:

- Naivete in negotiations.
- Unmet educational expectations.
- Downgrading of educational standards.
- Shallow institutional commitment.
- Awkward governance arrangements.
- Budgets based on marginal costs; profits based on whatever the market will bear.
- Financial and legal manipulation.
- Self-serving groups on both sides seeking to control information and access.

In past eras, the basic motives behind the new ventures would largely have worked their way out under the umbrella of particular national systems of law and regulation, where there are checks to make sure that these motives do not exceed socially acceptable practice. But many of the events described in our report move beyond the effective reach of national systems. American educational leaders recognize that the developments may be out of their control; Japan's leaders are also deeply concerned.

At this point, the mechanisms needed to solve these problems do not exist.

- There is a serious information gap.
- There is a serious regulatory gap.
- There is financial opportunity for some at the expense of others.
- There is likelihood of greater abuse.

Prospects for the Movement

For each nation, this has been an opportunity to watch the opening round of a much wider movement, building models for the global development of higher education. In the United States, regional accrediting associations have been meeting to draft guidelines for effective international educational programming. Others in the various U.S. educational associations are concerned that abuses receive attention now. Meanwhile, the U.S. popular press is treating the movement as a form of economic conquest. In Japan, government advisers and scholars of higher education are studying how the

new developments fit into the status and direction of the Japan system. It appears that the Ministry of Education is concerned that some Japanese overseas ventures may be unwise. The Ministry is asking for information from Japanese institutions on their overseas plans, but it is unclear what policy will evolve from this step. In the background, the Japanese press announces the occasional lawsuit by Japanese citizens and reports on new programs as they continue to develop in Japan.

There are several possible developments we can foresee, given the concerns being expressed on both sides:

- Self-regulation under current rules is tried by various formal and informal groups. The result is many patterns, continued gaps, and consumer or community confusion which is interpreted and misinterpreted by the press in both countries.

- Meanwhile the locus of the movement shifts from Japan to the United States. A critical climate in Japan slows development there. Attempts to site programs in the United States instead experience increasingly negative reception.

- Ultimately, no overseas programs receive formal U.S. approval or Japanese approval. Programs of all sorts continue to develop to meet market demand without oversight, resulting in damage to families, communities, institutions, and international good will.

- Alternatively, the educational community may ask the U.S. or Japanese government to help bring the problems under control. By using the Japan-U.S. experiment as a pilot situation, U.S. educational associations will place reform high on their agendas.

- Meanwhile, constructive efforts mounted in the United States may encourage a parallel debate in Japan to prevent the problems encountered in this first experiment from being repeated world-wide.

If our report is helpful, we hope that educational leaders from Japan and the United States can move together in this developing global network, to encourage better planning and coordination for programs reflecting the realities of nations, the needs of students, and fiscal probity. We offer the following recommendations to illustrate how this might be done.

A Program of Reform

We recommend that the leaders of both nations consider two complementary strategies:

(1) Upgrade educational quality.
(2) Restrict private profit-making.

Specific recommendations are explained below. They are based on concepts of improved self-regulation in an enhanced market, combined with the enforcement of existing U.S norms. The steps they recommend would:

- open binational discussion of standards appropriate to the goals of both nations,
- provide information to the student market on existing programs and on ways to evaluate them,
- foster collegiality among the programs,
- provide institutional information as a basis for stronger partnerships,
- encourage participation by a more representative set of U.S. institutions,
- provide a basis for understanding the needs and effects of the new programs,
- require closer institutional supervision of programs through stringently enforced accreditation standards,
- enforce U.S. tax code restrictions against making unreasonable private profits from public benefit institutions,
- extend these restrictions consistently to U.S. public institutions,
- and through competitive non-profit ownership extend these norms also to the proprietary sector.

Some of the recommendations are prerequisites to others. Although not all parts of the suggested program are necessary, adopting those which encourage growth without at least some of those which encourage control would be unwise.

The decentralized structure of U.S. higher education and the considerable autonomy of Japanese private universities and proprietary schools make it unrealistic to rely on bilaterally coordinated action at the national level. Instead, the recommendations suggest decentralized efforts of all sorts. We start by recommending constructive efforts for institutions with programs in place, for institutions considering new programs, and for the professional associations, the separate accrediting associations, and the state funding agencies with immediate responsibility. Then we recommend policy changes at the national level which could be achieved by each nation acting on its own.

This program calls for voluntary and governmental action which would supplement the workings of an international educational market. The volatile state of Japan-U.S. relations makes normal market correction hard to rely on at present. For one thing, these issues inevitably attract the attention of the press and the public on both sides, distorting normal project evolution. Hence, more direct and immediate solutions seem necessary.

The issues raised by the Japan-U.S. cooperative ventures are of particular importance at this juncture in world history because of the delicate nature of Japan-U.S. relationships. Americans may laugh, albeit nervously, when Rockefeller Center "sells out" but what will they think when their local college sells out, or a leading American university? Similarly, in rural Japan, where farmers and especially rice growers are under continuous assault from the U.S. Department of Commerce and the U.S. Trade Representative, the actions of Americans moving in to provide quality education are viewed with special scrutiny. In both cases, mistakes can easily become international incidents. There is reason for concern and a need to search for new procedures to assure a happy channeling of the various motives at work. It is in this spirit that we propose the following program.

Recommendations for Immediate Practical Steps

In the next section we outline binational efforts which would provide a setting for the promotion of greater sensitivity and conformity to binationally acceptable standards. In the absence of such mechanisms or in the period prior to their evolution, we have the following suggestions for those who must act immediately on the scene.

For institutions with programs in place, we suggest exploring ways to share information and nurture collegiality. In general, parallel experiments benefit greatly from shared information, but the economic incentives which shape many of the new ventures have placed their administrators in a highly competitive position. In two cases, attempts by U.S. administrators to use the accreditation visit for competitive information-gathering purposes were reminiscent of industrial espionage. In the face of such apparent abuse, normal routes of exchange have shut down. We offer the following recommendations to help reestablish the flow:

- *Overseas Program Registration.* A minimum base line for research, whether scholarly or institutional, would be an accurate list of programs that changes over time. Maintaining one does not need to become a complicated governmental process. Currently the North Central accrediting association requires notification in advance of all anticipated overseas programming. Extension of this practice to the other U.S. regional and national accrediting associations would provide a U.S. set of data. In Japan, the Ministry of Education now asks institutions to inform the Ministry of plans for overseas programming; this information might be made more open through Japan's fledgling educational associations.

To make the data more usable, registration might include the names and addresses of the interested or contracting parties, proposed program sites, a self-classification of the programs by subject and type, and a projected opening date. In the United States a self-supporting service similar to that provided by the College Scholarship Service could confirm data annually, place it into a data bank, make it available for institutional or general research purposes, and print it as a directory. By covering all U.S. overseas accredited programming, accreditation-based registration would allow researchers to track patterns in different nations within a global perspective. A parallel effort in Japan could be cross-checked for a complementary picture of patterns developing there.

- *Voluntary Data Exchange Groups.* Confidential data exchange is also possible. In the United States since the 1970s a small number of public institutions which are members of the prestigious American Association of Universities (AAU) have chosen to provide one another with comparative data for management purposes. The University of Colorado has served as coordinator for the exchange. Practical problems of data comparability, credibility, and aggregation have been worked out. (*Schmidtlein and Brown*, p. 132-135.) Possibly the new Japan-U.S. ventures could use this as a model for forming similar small groups. The model offers flexibility in terms of the partners chosen and the kinds of data exchanged (the AAU group

notably omits financial data). It offers informality in that it requires no association base. It also offers incremental cooperation which can lead to stronger forms of collegiality.

As in the AAU, it may prove easiest to achieve information exchange among U.S. public institutions, where there is a strong tradition of public information. It may be harder to establish an exchange among Japan's proprietary partners with their traditions of business privacy. If one group forms, however, others will follow. A basis for association oriented toward shared operating information would be an improvement over association for the purpose of mutually enforced cartel practices.

For institutions negotiating foreign programs, we suggest a series of principles for educators seeking to move ahead as safely as possible.

- Arrive at a clear indication of your intentions prior to contact with a potential partner.
- Decide in advance whether this will be an American-style educational experience for Japanese students, a Japan-style educational experience for American students, or an accomplishable combination.
- Arrange for careful analysis of impact by a neutral consultant from the nation where the program is to be established.
- Seek to locate in a city of sufficient size to support college-to-college relationships that will be of long term benefit to the faculties for mutual internationalization.
- Realistically review the program in terms of the will of the faculty and administration of the institution providing the academic program.
- Agree that a foreign-based program should have a significant infusion of tenured or tenurable staff from the home institution and not merely short term hires.
- Consider foreign programs only where they reinforce other institutional strengths, such as established area studies programs, or where they reflect home campus educational goals such as the expansion of study abroad programs at the site of the overseas program.
- Plan to keep financial arrangements reasonable in terms of the full cost of supporting an educational system, not the marginal costs of running one program on the side.
- Focus the finances on demonstrable public benefits for both nations, to the exclusion or limitation of private benefit, as the safest route through the coming policy debates.
- Garner a broad base of support from the home institution's external constituencies prior to contract negotiations.
- Spend the time and effort needed to locate a partner with compatible fiscal and educational goals, where possible based on the facts of past performance.
- Obtain complete financial records from your partner, based as closely as possible on U.S. auditing standards with special attention to related party transactions; review these with government and tax counsel.
- Consider first adopting the full standard contract for international programming agreements between separate entities, and supply further detail to suit your circumstances. Avoid the "agreement in principle" as a basis for commitment.

- Then consider alternative governance models which keep both fiscal and academic control in the hands of the government-approved or accredited institution.
- If your negotiating circumstances are not met by the standard arms-length contract between separate entities, the basic issue may be institutional control; remember that a contract which grants control of an institution in exchange for funding the newly controlled institution is, in effect, a giveaway.
- In negotiations, one way to settle an issue is to avoid mentioning it; watch out for what's missing in your agreement.
- Understand who the parties to your contract are. What rights does each one retain, and who effectively controls those rights? What motives are not being expressed?
- Monitor the ethics of your own negotiating team from the board level.

For the professional teachers of English as a second language we suggest a clear statement on collegiate standards:

- A statement of the qualifications needed for teachers of English as a foreign/second language. This statement should be based on linguistic principles, a sound analysis of Japanese learning styles, and a data-based study of the results of various methods currently employed.
- A statement of objective criteria on which to base the granting of academic credit for the study of English. Using these criteria, a test should be developed for testing English proficiency.
- A review of the academic subject content of ESL curricula, if academic credit is given in the subject area and not in ESL, by knowledgeable accreditors from the relevant subject areas.

For the separate accrediting bodies we suggest that they take a hard line on a case by case basis until acceptable national policies are developed. A fairly tough position might serve to move interested parties toward the establishment of such policies. Recommendations for changes in national accrediting policy are included in the next section.

For states which wish to encourage effective overseas programming for the general benefit of their state, we suggest that they:

- Review existing and planned partnerships in terms of the state's laws for the financial practice of educational and tax exempt organizations. Background for this recommendation is given in **Chapter V**.
- Review the twin effects on the quality of overseas programming of enrollment-driven institutional budgets combined with enrollment caps at the better institutions.

Open-ended public-sector financing formulas establish tremendous incentives for growth at the institutional level. Extension operations are particularly vulnerable to headcount formula manipulation because extension costs are marginal but operations generally are funded in the state budget on an average cost headcount basis. Thus extension program growth provides a public institution with discretionary funds, making it an attractive

move at the institutional level. The potential for financial gain includes strong pressures to reduce expenses which support educational quality, such as adequate libraries for an extension site. These effects are heightened where a state's leading institutions have enrollment caps, leaving the creation of extension operations noncompetitively to the least capable public institutions.

Recommendations for National Educational Policy

The following recommendations suggest avenues which would preserve the free market vigor of the movement but bring it into line with larger benefit for the people of both nations. Policy changes on both sides are needed to supply full correction for the movement. Probably a full result will not be possible. The policy initiatives listed below would best be exercised through bilateral consultation but could proceed unilaterally if necessary.

On the U.S. side, stronger self-regulation is needed specific to international programming. We recommend that controlling governmental and associational officers of the U.S. educational community encourage adoption of guidelines for effective international programming, and that stringent enforcement of accreditation standards in overseas programming be viewed as a central issue in the accrediting process. Wide difference in quality is the price paid for higher education's autonomous operation in the United States. For U.S. students who can reasonably discern the broad differences, this perhaps is a tolerable risk. Our recommendations focus instead on the needs of students who come from outside the United States, from nations with different concepts of higher education, and who have more difficulty interpreting diversity of quality within the U.S. system.

Specifically, for American programs which primarily serve a foreign audience overseas, the U.S. accreditation process should help clarify foreign perceptions of U.S. programs:

- U.S. regional accreditation should not be given without a full separate review of overseas programs, including a team visit to each site to review financial as well as educational issues knowledgeably. The reporting team would be asked to distinguish whether an overseas program is of a quality and type similar to the home institution's programs, or of a more limited quality or different type, or of a non-accreditable quality; descriptions and advertisements for the overseas program would have to state this status clearly in order for the home institution to maintain regional accreditation.

- Alternatively, if necessary U.S. regional accreditation could be granted to a home institution with the explicit exemption of the overseas components; all descriptions and advertising for the overseas components would have to state this exemption clearly in order for the home institution to maintain regional accreditation.

For American-based programs which substantially serve a foreign audience in the United States under U.S. accreditation:

- U.S. regional accreditation would not be given without a full review of the program in terms of the needs and perceptions of its foreign students, and in terms of its provision of "American-style" higher education being taught in English at the collegiate level for all credited courses; this assessment would be a required part of all descriptions and advertisements for the program in order for the institution to maintain regional accreditation.

For programs in either country:

- U.S. regional accreditation would not be granted if a program's business arrangements compromised the fiscal or legal integrity of the U.S. institution.
- As part of its site review, the accrediting team would be asked to apply professionally established standards to the classification of courses as non-credit ESL instruction or as creditable collegiate level programming.
- U.S. regional accreditation would not be extended to a program where the institution had not received written one-year provisional registration for accreditation review prior to advertising for purposes of enrolling students. Provisional status would be granted only if adequate provisions were made beforehand for closing the program if it did not achieve accreditation status by the end of the provisional period. All subsequent descriptions and advertisements for the program would have to state whether it has been provisionally registered for accreditation review, was not U.S. accredited, or had achieved one of the specific U.S. accreditation statuses listed above, in order for the home institution to maintain regional accreditation.

The intent of these recommendations is to help establish an academic minimum for programs where an accredited U.S. institution supervises the instruction of students who are not familiar with the U.S. system. The recommendations do not address: (1) the problem of establishing minimal standards for non-accredited programs which are recognized for transfer by U.S. institutions, (2) the problem of encouraging improvements beyond the minimal standard of accreditation acceptability, or (3) questions involved with the financing of these programs. The first problem is a separate issue which needs to be addressed by the U.S. accreditation community for both domestic and foreign non-accredited instruction. The second and third problems are addressed in the recommendations which follow.

Stronger accreditation guidelines can help define structures for academic control between an accredited U.S. institution and projects aimed at foreign students. However, educational quality is directly related to its funding. The governance models most frequently seen in the new ventures split financial control and academic control between parties which have different expectations about their joint project. Accreditation guidelines alone will not ensure the continued health of these programs if fiscal motives are at odds with funding for educational quality. One solution is to adopt different

governance models, as illustrated in the report. Another solution, outlined below, is to bolster the accreditation approach with steps to improve the market's response to quality differences. It is also necessary to address the fiscal side of these arrangements as a separate issue.

On the Japanese side, U.S. reforms should be matched by increasing measures for self control, to guide Japan's students and educational investors. As Japanese interest increases in either attending or launching overseas programs aimed at Japanese students, whether in the United States or elsewhere, the educational leadership in Japan will find it necessary to protect its own citizens by supplying them with information and other assurances of quality.

Steps taken to provide quality assurance could be moderated depending on the regulatory climate of a partner nation. For example, nations which demonstrate by objective measures that they can protect the benefit of programs to Japanese students could receive most favorable official review in Japan. Such a comparative stance would encourage policy improvements from abroad without setting rigid standards at home. Moreover, a set of objective evaluation standards designed to compare national systems would also serve as an education-based and officially-sponsored way for the Japanese people to evaluate specific programs privately. In this way, a minimalist policy approach could provide a better form of guidance than is now being supplied by the self-interested public relations efforts of programs and their sponsors.

As in the United States, in the establishment of such a policy it would be important to exclude those actors who stand to benefit directly from the new educational ventures.

Binationally, arrangements should be made to improve the flow of information in order to shift markets toward more promising partnerships. Tighter accreditation from the U.S. side will be slow to take effect because a full cycle of accreditation review takes ten years; besides, accreditation review is only minimally demanding. The establishment of objective comparative standards in Japan could also take much time and be indirect in effect. A quicker and more direct means for upgrading and correction could come from resolving immediately the information gap which serves as a barrier to quality development. Under the right conditions, a flow of unbiased education-based information to Japan could work as a reverse of Gresham's Law, with the good helping to drive out the bad.

Of course, information exchange can be as helpful for matching partners with short term financial objectives as it is for matching those with longer term educational objectives. Therefore the flow of information should be evaluative and should be broad enough to reach consumers at least indirectly. We suggest that an appropriate U.S. educational association establish a nonprofit service (supported by reasonable fees) where a relatively unbiased analysis of various U.S. institutions' overseas activities and potential would be made available.

Because so much of the exchange now active has been disappointingly nonobjective, new routes would need an established nonprofit institutional base, possibly with bilateral funding and oversight at the outset. It would be especially important to lodge such efforts within an organization of national scope, and to exclude those who could benefit directly from the new educational ventures.

1. Binational advisory teams should be appointed by a coalition of national U.S. educational associations in consultation with educational leaders in Japan. Knowledgeable academic consultative teams need to be established bilaterally from both nations to supply unbiased information and advice. To the Japanese side, the teams can provide information to educational entrepreneurs considering the establishment of new institutional partnerships in the U.S., and identify procedures that they should follow. The same teams could help U.S accrediting associations establish norms sensitive to the needs and standards of both nations, and set up procedures for reviewing Japanese overseas programs in the United States to ensure that they follow Japanese (if not U.S.) standards.

Ideally, the teams would have binational membership so that Japanese institutions seeking to set up activities in the United States would have access to advice from American educators, and American institutions seeking partners in Japan would have access to "insider" information about the quality and consequences of the various possibilities. The underlying principle is informed self-regulation in an information enriched market.

These advisory teams need not be a long-term feature. As with similar team arrangements in U.S. higher education, initial funding can help a coalition of national sponsoring associations identify a referral list and establish the ground rules which teams agree to follow. The establishment process itself would provide an informal binational forum for setting normative priorities; individuals participating would not need official sponsorship. Thereafter the program might be client supported, lasting in this case perhaps for only three to five years until norms have been established. Because the program must serve all sectors fairly, it would be best for the coalition of U.S. sponsoring associations to place oversight in a single organization which is comprehensive and national in scope.

In the establishment of such a program and the selection of advisory teams it is especially important to exclude those actors who stand to benefit from the new educational ventures.

2. We recommend study of the underlying elements the new movement comprises. The phenomena we report are important, and will continue. Certainly mistakes have been made, but in part this is because the inventors of the movement and its policy supervisors have had little solid information to use in its design. We recommend that these questions receive objective research attention from national level policy bodies:

- Who attends these schools? What socioeconomic backgrounds do the students come from, and what does this imply about their educational needs and expectations? What does it imply about financing bicultural education?
- How can Japanese students of various backgrounds best be taught collegiate level English? What is the role of the American student in the process?
- When students leave the various programs either midway or upon completion, where do they go next? Have their expectations been met?
- What effects do foreign-sponsored educational institutions and programs have on their host communities and partner institutions?
- What is the current and projected labor market for biculturally educated men and women of various degree types and levels?
- What economic arrangements would encourage quality educational programming to meet the needs of a highly diverse bicultural labor force?

On the U.S. side, a limited federal role may be required to protect the fiscal integrity of the U.S. system through application of existing federal norms for public benefit corporations. There can be legitimate federal concern where the new ventures have demonstrated the use of U.S. tax exempt organizations for purposes which substantially benefit private individuals. We recommend that the U.S. government and the U.S. educational community consider three avenues of action:

1. For private-sector nonprofit institutions: We suggest institutional and governmental examination of ventures mounted by private institutions according to case law and IRS rulings regarding financial practice under 501(c)(3) tax status. Background for this recommendation is given in **Chapter V**.

A mechanism for assuring full institutional fiscal review under 501(c)(3) standards can be found in current U.S. regulations governing foundation grants to foreign charitable organizations. For overseas organizations which have not been granted charity status by the IRS, a grant-making foundation either must accept full direct responsibility for the expenditure of the grant monies under its own tax standing, or its attorney must prepare a legal statement guaranteeing that the organization meets all IRS standards for public charities in the U.S. (*The Chronicle of Philanthropy*, November 4, 1989, p. 30). Creating a parallel requirement for tax exempt international partnerships would supply the advice and even the liability of tax counsel as a backing to fiscal review. We recommend that the U.S. government and the higher educational community consider establishing such a requirement as a substitute for full IRS review of overseas operations.

2. For public-sector nonprofit institutions: To provide uniform protection of the tax system, it would be reasonable for the federal government to ask states to adopt public benefit fiscal guidelines as stringent as those developing under 501(c)(3) case interpretation.

If fiscal controls are made explicit for private non-profit institutions and not for public ones, or if such controls are variable among the states, shopping for the most profitable setting can be anticipated. This has been the record to date on variable state regulations for distance learning programs. If consistency cannot be achieved voluntarily, entrepreneurial shopping for the most favorable setting will lead to concentrations of abuse in certain states to the disadvantage of a legitimate programs in other states. To prevent this from happening, the U.S. educational associations could ask the federal government to consider withholding federal educational aid from institutions in states which do not establish and enforce equivalent public benefit fiscal standards. Precedent exists in the level of general support which has been achieved for federal efforts to clean up federal student loan program abuses by institutional disqualification if necessary.

3. For the U.S. proprietary sector: To help introduce these same principles into the governance of the U.S. proprietary sector, we suggest the use of federal tax law to encourage competitive nonprofit proprietary ownership. Background for this recommendation is given in **Chapter V.**

It is possible, of course, that nonprofit oversight of proprietary programs would be just as abusive as for-profit oversight and have a corrupting influence on the nonprofit sectors as well. In general, nonprofit institutions are highly sensitive to their reputations and are more responsive to local complaint and embarrassment than are for-profit owners, who do not depend on as broad a constituency for support. Because there is a potential for widening abuse, however, it would be helpful if both nonprofit and proprietary sector leadership were to provide in advance a set of guidelines for proper practice in the event of nonprofit entry into the proprietary educational market. Such guidelines should ensure genuine oversight but not restrict the new institutions from competitive advantage. They should also be reviewed in advance by the IRS and adopted into the U.S. accreditation process. If 501(c)(3) standards are applied to public institutions, as recommended above, model legislation could be developed to allow proprietary school ownership by public institutions. The U.S. federal government could encourage such a discussion.

The Need for Action Now

Japan and the United States have developed as allies through shared foreign policy positions supported by economic strength. As we feel our way toward more balanced economic relationships, we do so in a blur of emotions, misconceptions and missed connections. The new developments in Japan-U.S. higher education represent the full range of folly, fraud, mediocrity, and excellence that can grow in such a setting.

Educators claim that the solution lies in international education. For two generations this has been the received wisdom, supported by both Japan and the United States through educational and cultural exchange. Our cross-cultural problems have now expanded from the cultural arena to the economic one. The long-range mechanism needed to work together effec-

tively may now be found in myriad business arrangements supported through a biculturally educated labor force. Therefore, our two nations may find that a precondition to bringing our economies into balance is the training of a labor core that can do the job together.

These needs and ideals are fueling the current Japan-U.S. educational ventures in their haphazard development. If the current set of ventures fails, the need for them will not go away but will become more urgent. Therefore, before these first attempts do fail, it is time to develop the shared standards, the information routes, the funding structures, and the fiscal and academic discipline needed to open the flow and let it rise to the challenge.

Appendix I. Case Listing for the Project

A. U.S. Institutions that have negotiated with Partners from Japan. *(Cases identified during the research, including cases without partners and cases where negotiations did not proceed.)*

American League of Colleges and Universities.
Consortial lead: Columbia College, Missouri.
Partner: American Universities League, Japan Campus, Yokohama.
Program: Opened in 1988 in Yokohama. Originally in Tokyo with John F. Kennedy University as partner.

Bellevue Community College, Washington.
Partner: Nippon Cultural Broadcasting Studies Abroad Committee (Bunka Hoso Educational Consultants).
Program: Opened in Fall 1989. The International Business Professions Training Program is a one year certificate program for students prepared to live, study, and work in the Bellevue/ Eastside area.

The Berkeley School of New York, New York.
Partner: Working with several Japanese organizations on exchanges or special curricula.
Program: Interested in opening a program of three months duration through the Associate degree in the United States or in Japan.

Boise State University, Idaho.
Partner: Asia University, Tokyo.
Program: An Asia University America Program in the United States was negotiating for September 1989 signing.

Boston University, Massachusetts.
Partner: Sanyo Electric Company, Ltd.; Osaka Industrial Association.
Program: The Management Development Program, a 12 week program aimed at mid-level professionals. The program is held at the Sanyo Corporation's Educational Training Center in Kobe. Discussed the possibility of opening a campus with the Osaka Prefectural government.

Central Washington University, Washington.

Partner: Asia University, Tokyo; Shimane University, Kyoto University and Obunsha Language School, Tokyo.

Program: These programs bring in a varying number of Japanese students to the U.S. campus. The Asia University America Program in the United States will have 125 students in 1990.

Central Michigan University, Michigan.

Partner: Tokyo International College which is incorporated in the United States in the District of Columbia, and is operating in Tokyo.

Program: Negotiating to offer a Central Michigan University Master of Science in Administration in Tokyo.

Chapman College, California.

Partner: Nippon Business School America at Chapman College, Los Angeles.

Program: Advertises ESL and college preparatory courses leading to degree work at Chapman College, Central Methodist College, College of Notre Dame, Fort Lewis College. Azusa Pacific University, Hawaii Loa College; or at The Fashion Institute of Design and Merchandising, Santa Barbara Business College, Pacific Travel School, Cross Business College, Balin Institute of Technology, South Bay College of Business, and Musicians Institute.

City University of New York, New York.

Partner: Toyo Gakuen, Osaka.

Program: Associate degrees in fashion, computers, international trade and international relations taught in English.

City University of New York Herbert H. Lehman College, New York.

Partner: Mr. Tatsuo Tanaka and Nihon Anzen Kizai Co., Hiroshima.

Program: April 1990 opening in Chiyoda. A residential program of 304 students with an Intensive English Language Program leading to a baccalaureate degree in selected liberal arts fields.

Clark College, Washington.

Partner: Kurashiki City.

Program: None; the Clark board voted in 1989 not to continue negotiations.

Clarke College, Iowa.

Partner: Never identified to the college.

Program: None; the Clarke board would not pursue the multi-million dollar anonymous offer.

Clemson University, South Carolina.

Partner: Visited by a delegation for Kiryu City, Gunma Prefecture for preliminary discussions and evaluation.

Program: Draft proposal developed and further negotiations dependent upon March 1990 decision by Kiryu City Municipality and Prefectural government.

Confidential Case, East Coast.
Partner: Proprietary cluster, Japan.
Program: Negotiating for a professional master's degree to be started in Japan and completed in the United States.

Confidential Case, U.S. Proprietary Chain.
Partner: Japan junior colleges made approaches.
Program: Did not negotiate programs in international office management.

Confidential Case, Midwest.
Partner: Japanese investors, for a "university" no one had heard of in Japan.
Program: Multi-million dollar offer was not pursued when its source could not be identified.

Confidential Case, West Coast.
Partner: Host committee independently assembled.
Program: Negotiating for ownership and control to remain with U.S. institution.

Cornell University, New York.
Partner: According to the University, Cornell is not considering a partnership with Tonami City.
Program: One year study abroad programs are available to Cornell students at the Kyoto Center for Japanese Studies (a consortium of nine U.S. universities including Cornell) or at Japanese universities.

Dartmouth College, New Hampshire.
Partner: International University of Japan, Niigata.
Program: The Amos Tuck School established an MBA program in 1988 under International University of Japan supervision.

Eastern Washington University, Washington.
Partner: Asia University, Tokyo.
Program: The Asia University America Program in the United States had 134 students in 1989.

Edmonds Community College, Washington.
Partner: Kobe Koryo Gakuen, Kobe, part of the Mizota Group corporation.
Program: Contract to open a branch campus in 1990 with ESL and associate degrees in hotel operations, business, office skills, and college transfer.
Ties To: Japanese publications list additional Edmonds Community College contracts with Kawaii Juku International Education Center/ Trident School of Languages, Okinawa School of Foreign Languages, America Canada Study Abroad Center, Travel Journal Institute of Japan Senmon Gakko, and Kokusai Business College Senmon Gakko.

Eureka College, Illinois.

Partner: Tokyo International College, which is incorporated in the United States in the District of Columbia, and is operating in Tokyo.

Program: The program is identified by several different names. Eureka College accepts Tokyo International College credits taught to specification.

Georgetown University, District of Columbia.

Partner: Seifu Gakuen, Osaka.

Program: Offers summer program in linguistics. A School of Foreign Languages is to open in 1990, anticipating a Georgetown University Graduate School of Japan in three to four more years.

Georgia Institute of Technology, Georgia.

Partner: Kurobe City, Toyama Prefecture.

Program: Letter of intent for a branch campus.

Green River Community College, Washington.

Partner: Japanese corporation, Kanuma City, Tochigi Prefecture.

Program: Proceeding with plans to offer associate degrees at a branch campus in Japan.

Grossmont-Cuyamaca Community College District, California.

Partner: Tokyo Foreign Language College, a senmon gakko with campuses in Shinjuku and Gyoenmae, Tokyo.

Program: Students may transfer to Grossmont College nine (27 semester units) of the eleven courses which they have taken at Tokyo Foreign Language College. An arrangement with the Japanese Ministry of Education allows transfer of Grossmont College units back to Tokyo Foreign Language College. Students who satisfactorily complete 60 total units can simultaneously be awarded an Associate degree from Grossmont College and a certificate of completion from Tokyo Foreign Language College.

Hawaii Pacific College, Hawaii.

Partner: Dohto Daigaku and related Dohto Technical-Cultural College, Hokkaido.

Program: Students taking the general education program can transfer to Hawaii Pacific as juniors.

Ties To: Jinno Pacific College, Nagoya; University of Okinawa, Okinawa; Doto Senmon Gakko, Fukuoka; others pending.

John F. Kennedy University, California.

Partner: Various explorations including Tonami City, Toyama Prefecture.

Program: John F. Kennedy University dropped an earlier program in Tokyo which became the American University League in Yokohama under other sponsorship.

Katharine Gibbs School, Massachusetts.

Partner: Berlitz Language School, Japan.

Program: Associate degrees for international secretarial training.

Limestone College, South Carolina.
Partner: Not identified; approach made through real estate people.
Program: Board would not pursue anonymous approach.
Ties To: Kanto International High School, Kyoai Gakuen Women's Junior College (new institution).

Los Angeles Community College District, California.
Partner: Yamano Gakuen, Tokyo.
Program: Tokyo American Community College (TACC) established in 1989 as a Los Angeles Community College District program located in Tokyo.

Marygrove College, Michigan.
Partner: Japanese businessman.
Program Discontinued negotiations to establish a junior college for Japanese women.

Massachusetts Institute of Technology, Massachusetts.
Partner: Nihon University, Tokyo.
Program: The International Advanced Research and Development Institute anticipates a new facility in Chiba Prefecture in 1993.

McKendree College, Illinois.
Partner: Ristone Institute of Japan, Tokyo.
Program: Has opened a program in Tokyo offering ESL and a freshman credit curriculum which will transfer to McKendree College or to one of five other colleges agreeing to form a consortium now titled Council of American Colleges in Japan.

Michigan State University, Michigan.
(As lead for a consortium of all Michigan's state universities.)
Partner: Shiga Prefecture.
Program: Under a 1988 agreement between the State of Michigan and Shiga Prefecture, The Japan Center for Michigan Universities will offer academic programs on Japan language and culture for U.S. students, ESL for residents of Shiga Prefecture and surrounding area, plus various seminars and research opportunities. Shiga Prefecture is building and furnishing a Japan Center in Hikone. The State of Michigan will provide scholarship and administrative funds for the Center programs.

Minnesota State University System, Minnesota.
Partner: Minnesota State University at Akita, Yuma-machi, Akita Prefecture.
Program: 1989 agreement provides for ESL and two years of liberal arts courses leading to an associate degree, then to transfer into the Minnesota System for BA. U.S. students will participate in Japan.

Mississippi State University,, Mississippi.
Partner: Omachi City, Nagano Prefecture.
Program: Letter of intent has been signed for a general academic program starting in 1991.

Montana State University, Montana.
Partner: Asia University, Tokyo.
Program: Negotiating for year-long credit instruction for students who already have had a five month ESL program in the United States
Ties To: Sister state exchanges with Kumamoto University of Commerce, and Kumamoto University; exchange with Kansai Gaidai Daigaku.

Mount Hood Community College, Oregon.
Partner: Kurashiki City, Okayama Prefecture.
Program: Considering a branch campus.

Newport University, California.
Partner: None.
Program: Has an office in Tokyo offering degrees.

New York University, New York.
Partner: TOEFL Academy, Japan.
Program: ESL graduate courses.

North Carolina State University, North Carolina.
Partner: None.
Program: Investigated possibilities for branch campus, but decided to pursue instead exchange with Nagoya University with which it has a formal linkage agreement.

Northrop University, California.
Partner: An agency in Osaka Prefecture.
Program: Signed a letter of intent and entered preliminary discussions for a joint campus.

Ohio University, Ohio.
Partner: Negotiating with Kamagawa City, Chiba Prefecture and Komaki City, Aichi Prefecture.
Program: A letter of intent has been signed for a branch campus in Komaki.

Oklahoma State University Main Campus, Oklahoma.
Partner: Kameoka City, Kyoto Prefecture.
Program: Considering a branch campus through sister city relations.

Oregon State System, Oregon.
Partner: Contacted by Eishin School Foundation of Iruma City, Saitama Prefecture.
Program: Considering a partnership.

Oregon State University, Oregon.
Partner: Asia University, Tokyo.
Program: The Asia University America Program enrolled 145 students in 1989.

Pacific Lutheran University, Washington.

Partner: Nihon Junior College of Economics (related to Asia University), Tokyo.

Program: Pacific Lutheran offers Nihon Junior College of Economics students an eight week course in the United States with transfer in as juniors.

Ties To: Otami Women's College, Osaka; Tokyo YMCA Junior College, Tokyo; Asia University, Tokyo.

Phillips University, Oklahoma.

Partner: Phillips University-Japan, a for-profit stock corporation founded through Kyoto Institute of Technology.

Program: Opened April 1989 with 886 students registered for a four-year baccalaureate course including ESL, in Osaka.

The Princeton Review, Japan.

Partner: None. Franchised from a New York-based firm named The Princeton Review (no relation to Princeton University).

Program: Six week courses to prepare students for U.S. university entrance exams.

Regis College, Colorado.

Partner: Teikyo University, Japan.

Program: Teikyo purchased a campus on which to offer a baccalaureate program for Japanese students under Regis accreditation, starting in Fall 1990.

St. Louis Community College, Missouri.

Partner: Confidential.

Program: Negotiating for a six month ESL and computer application course in the United States.

Salem College, West Virginia.

Partner: Teikyo University, Tokyo.

Program: Opening a baccalaureate course without language requirements, at Salem in April 1990, for Japanese students.

Scarritt College for Christian Workers, Tennessee (closed).

Partner: U.S. Methodist representatives negotiated with a consortium of church-related Japanese institutions.

Program: Negotiations not successful.

Seattle Community College District, Washington.

Partner: Japanese proprietary institution.

Program: Was advertised as a branch campus but is a program only, according to the Community College.

Seattle Pacific University, Washington.

Partner: Koyo Gakuen, Nagasaki Prefecture.

Program: Associate degrees preceded by an ESL program.

Partner: Tokyo International College, which is incorporated in the United States in the District of Columbia, and is operating in Tokyo.

Program: Accepts Tokyo International College credits taught to specification.

Seton Hall University, New Jersey.

Partner: None.

Program: University representatives visited in 1987 to consider a branch campus but discussions were only preliminary.

Southern Illinois University at Carbondale, Illinois.

(As lead for Mid-America State Universities Association, or MASUA consortium, now recognized as The Association of Big Eight Universities.)

Partner: Nakajo City, Niigata Prefecture.

Program: ESL and a two year liberal arts course leading to junior status at Southern Illinois University at Carbondale or at other consortium institutions.

Stanford University, California.

Partner: None.

Program: Stanford Japan Center, Kyoto. The Stanford Center in Technology and Innovation is primarily an undergraduate program for U.S. engineering students.

Ties To: Kyoto Center for Japanese Studies, a two semester undergraduate program managed by Stanford Overseas Studies for a nine member U.S. university consortium.

Sullivan County Community College, New York.

Partner: Toyama Keizai Senmon Gakko, Toyama.

Program: ESL and two year course leading to degrees in Japan, and an associate degree in the United States transferring to specific New York public institutions for a BA.

Teachers College, Columbia University, New York.

Partner: Simul Academy of International Communication, Tokyo.

Program: An M.A. Degree in TOESL for Japanese teachers and foreign teachers in Japan. Program started in August 1987. First graduating class: August 1989.

Temple University, Pennsylvania.

Partner: Temple University in Japan, Tokyo.

Program: ESL; associate or baccalaureate degrees; master's or doctorate degrees in TOESL, business and economics.

Texas A&M University, Texas.

Partner: Foundation for Promoting Higher Education in Koriyama Area, Fukushima Prefecture.

Program: Pilot ESL program. Negotiating for 27 month academic program for transfer to Texas A&M.

Texas International Education Consortium, Texas.

Partner: Negotiating with Kashima City, Ibaragi Prefecture, and Ohita Prefecture.

Program: Letter of intent to open a campus in Kashima.

Tokyo International College, Washington, D.C.
Partner: Mr. Joseph Hoang, Tokyo.
Program: Teaches ESL and courses transferable to Eureka College and to Seattle Pacific University. Will provide logistical support for courses taught by Central Michigan University. Other agreements are pending.

Tufts University, Massachusetts.
Partner: Tokai University, Tokyo.
Program: A relationship in medicine plus various other communications.
Partner: Fletcher-Hokkaido Committee in Sapporo.
Program: Fletcher North Pacific Program, a two-week summer field seminar on trade and economic issues. Enrollment open to students from China, Japan, North and South Korea, the Soviet Union, the United States, and Canada.

United States International University, California.
Partner: Kishiwada City, Osaka Prefecture.
Program: Opened three branches in Tokyo since 1987, then a city-assisted branch in Kishiwada, Osaka in 1989.

University of Alabama, Alabama.
Partner: None.
Program: Not actively considering a branch campus but participating in information meetings; has various university exchange agreements already.

University of Arizona, Arizona.
Partner: Had discussions with Hiroshima City, Nagasaki City, and Tenryu City in Shizuoka Prefecture.
Program: Examined plans but dropped the idea.

University of Hawaii, Hawaii.
Partner: Considered four potential sites for a branch campus.
Program: Studying the possibility now.

University of Idaho, Idaho.
Partner: None. Delayed by a loss of Yuwa to Minnesota and then by a change in presidency.
Program: For the present, the University has decided to drop its pursuit of a branch campus site in Japan.

University of Miami, Florida.
Partner: Not known.
Program: Considered offering ESL in Japan for transfer to Miami or to other U.S. institutions.

University of Maryland University College, Maryland.
Partner: Kokusai Business Institute, Tokyo.
Program: The International Business and Management Institute (Tokyo, Kyoto, Germany and the United States) offers non-credit training programs in international business. Plans a graduate school to offer ESL and a graduate program in Kanagawa Prefecture.

University of Nevada-Reno, Nevada.
Partner: University of Nevada at Reno International Division in Japan, Tokyo.
Program: Offers ESL with admission to Reno or for placement at other U.S. institutions.

University of New Mexico, New Mexico.
Partner: None.
Program: Considered a branch campus in Japan but not actively negotiating one now.

University of Oklahoma Central Office, Oklahoma.
Partner: Negotiated with Sonobe City, Kyoto Prefecture before that city was dropped from the Japan municipalities list.
Program: Has decided not to consider branch campus arrangements but to continue collaborative agreements with established Japanese universities.

University of Pennsylvania, Pennsylvania.
Partner: Kitakyushu City.
Program: The International Center for the Study of East Asian Development, Kitakyushu; an Undertaking in Cooperation with the University of Pennsylvania.
Ties To: Azabu University, Kanagawa.

University of Phoenix, Arizona.
Partner: None.
Program: Graduate and undergraduate directed study programs in business.

University of Pittsburgh, Pennsylvania.
Partner: Not known.
Program: The University of Pittsburgh English Language Institute opened in 1988 in Tokyo offering an ESL program to prepare students for study in the United States at various degree levels.

University of San Francisco, California.
Partner: Tohogankuen Senmon Gakko, Tokyo.
Program: Formal and informal relationship severed in the late 1970's because the University of San Francisco was unable to grant transfer credit. They are now hoping to affiliate with an established university in Japan.

University of Southern California, California.
Partner: Interested in considering consortial study center for U.S. and established Japanese universities.
Program: Possibly a management program for business executives. Not interested in a branch campus in conjunction with a municipality in Japan.

University of Tennessee at Chattanooga, Tennessee.
Partner: None.
Program: Approached repeatedly. Not interested in a branch campus but perhaps in a U.S. consortial study center in cooperation with established Japanese universities.

U.S. Air Force Base Programs, (various U.S. institutions).
Partner: None.
Program: Starting in 1988 Japanese nationals could take courses at Kaden Air Force Base in Okinawa; the Okinawa School of Foreign Language offers ESL preparation.

Wake Forest University, North Carolina.
Partner: Tokai University, Tokyo.
Program: Signed a basic agreement for international exchange program in November 1989. Explored the possibility of establishing a branch campus in Japan with the cooperation of Clemson University.

Warner Pacific College, Oregon.
Partner: GEOS Corporation (Formerly AmVic), in Kushima.
Program: None. Financing agreement only.

West Chester University, Pennsylvania.
Partner: Private Japanese corporation, Fukuoka City.
Program: The West Chester University Educational Center offers credit and non-credit ESL and general education courses.

Western Washington University, Washington.
Partner: Asia University, Tokyo.
Program: The Asia University America Program enrolled 146 students in 1989.

Westmar College, Iowa.
Partner: Teikyo University, Japan.
Program: Agreement signed in 1990 to create Teikyo-Westmar University.

Willamette University, Oregon.
Partner: Tokyo International University (formerly International College of Commerce and Economics), Kawagoe City.
Program: Tokyo International University of America opened in 1989 as a non-profit Oregon corporation offering instruction which transfers into the Oregon State system.

B. Additional Japanese Institutions Negotiating in the United States.

Kansai University of Foreign Studies, Osaka.
Partner: None. Negotiating for student exchange affiliations only.
Program: Kansai Gaidai Hawaii College enrolls 700 students for ESL or for junior college degrees under U.S. accreditation.

Keio University, Tokyo.
Partner: None.
Program: Keio Giguki New York Gakuin is opening in Westchester, New York in 1990; to be followed by a graduate school.

Kyoto School of Computer Science Senmon Gakko, Kyoto.
Partner: None.
Program: Boston branch campus offers study for three months as a required part of the Kyoto program.

Meiji Gakuin University, Tokyo.
Partner: Purchased the former Tennessee Military Institute.
Program: Opened a Japanese secondary school.

Showa Joshi University, Tokyo.
Partner: None.
Program: Conducts a residential program at its own campus in Boston as part of the Japanese degree.

Soka University, Tokyo.
Partner: None.
Program: Soka Gakki University of Los Angeles is a branch campus opened in 1987 to offer short-term ESL instruction to two-year and four-year students from Japan.

Washington International University in Virginia.
Partner: None.
Program: Seeking a location in Virginia, raising funds through a foundation. Expects to open in 1990.

Yokohama Academy Senmon Gakko.
Partner: None.
Program: Planned to open a "Washington" campus in Virginia in 1989 where students would study for the second year of a three-year course.

Confidential Case, Large Juku Chain.
Partner: Seeking U.S. college as partner.
Program: ESL and undergraduate instruction in the United States.

Confidential Case, Private Girl's High School.
Partner: Seeking U.S. college as a partner.
Program: Branch campus in Japan for the school's graduates.

Confidential Case, Private Educational Cluster.
Partner: Seeking overseas campus, preferably U.S.
Program: Many possibilities being considered.

Appendix II. Guidelines on Contractual Relationships

(Taken from A Handbook of Accreditation, *North Central Association of Colleges and Schools, Commission on Institutions of Higher Education, 1988-89, p. 61-64).*

The Commission on Institutions of Higher Education of the North Central Association recommends the following principles and guidelines to its member institutions who wish to establish by contract a relationship with other organizations for providing educational services. While these principles and guidelines are not formal requirements of the Commission, institutions departing from them will be expected to justify the departures as reasonable and consistent with the mission and purposes of the institution.

Principles

In establishing by contract a relationship with another organization to offer educational services, the accredited institution should provide explicitly that:

1. The primary purpose of the services to be offered is educational, and any ancillary purpose is clearly identified.

2. Any course or program offered is consistent with the mission and purposes of the accredited institution, as they were stated at the time of the most recent North Central evaluation. If changes have occurred in the institution's mission and purposes, the institution should notify the Commission, and the Commission's policies and procedures dealing with changes in accredited institutions will be applied.

3. Any course or program offered must be approved by the established procedures of the accredited institution, and the amount and level of credit to be awarded upon successful completion of any course or program must also be approved through the established institutional procedures.

4. Courses offered for credit must remain under the sole and direct control of the sponsoring accredited institution, which exercises ultimate and continuing responsibility for the performance of these functions as reflected

in the contract, with provisions to assure that conduct of the courses meets the standards of its regular programs as disclosed fully in the institution's publications especially as these pertain to:

a. recruitment and counseling of students
b. admission of students to courses and/or to the sponsoring institution where credit programs are pursued
c. instruction in the courses
d. evaluation of student progress
e. recordkeeping
f. tuition and/or fees charged, receipt and disbursement of funds, and refund policy
g. appointment and validation of credentials of faculty teaching the course
h. nature and location of courses
i. instructional resources, such as the library

Guidelines

The following guidelines are provided for the use of a member institution in preparing a contract with another organization for providing educational services. While these guidelines are not exhaustive, they deal with common issues that should be made explicit in the contract. A member institution is strongly urged to obtain advice from legal counsel on the form and content of the contract, and in particular to determine that, if the institution is a not-for-profit organization, a contract with a for-profit organization will not affect its state or federal tax obligations.

I. The Contract

A. Should be executed only by duly designated officers of the institution and their counterparts in the contracting organization. While other faculty and administrative representatives will undoubtedly be involved in the contract negotiations, care should be taken to avoid implied or apparent power to execute the contract by unauthorized personnel.

B. Should establish a definite understanding between the institution and contractor regarding the work to be performed, the period of the agreement and the conditions under which any possible renewal or renegotiation of the contract would take place.

C. Should clearly vest the ultimate responsibility for the performance of the necessary control functions for the educational offering with the accredited institution granting credit for the offering. Such performance responsibility by the credit granting institution would minimally consist of adequate provisions for review and approval of work performed in each functional area by the contractor.

D. Should clearly establish the responsibilities of the institution and contractor regarding:
   1. indirect costs

2. approval of salaries
3. equipment
4. subcontracts and travel
5. property ownership and accountability
6. inventions and patents
7. publications and copyrights
8. accounting records and audits
9. security
10. termination costs
11. tuition refunds
12. student records
13. faculty facilities
14. safety regulations
15. insurance coverage

II. Enrollment Agreement

A. The enrollment agreement should clearly outline the obligations of both the institution and the student, and a copy of the enrollment agreement should be furnished to the student before any payment is made.

B. The institution should determine that each applicant is fully informed as to the nature of the obligation he/she is entering into and as to his/her responsibilities and rights under the enrollment agreement before he/she signs it.

C. No enrollment agreement should be binding until it has been accepted by the authorities of the institution vested with this responsibility.

III. Tuition Policies

A. Rates

1. The total tuition for any specific given course should be the same for all persons at any given time. Group training contracts showing lower individual rates may be negotiated with business, industry, or governmental agencies.

2. Tuition charges in courses should be bona fide, effective on specific dates, and applicable to all who enroll thereafter or are presently in school, provided the enrollment agreement so stipulates.

3. All extra charges and costs incidental to training should be revealed to the prospective student before he/she is enrolled.

4. The institution should show that the total tuition charges for each of its courses is reasonable in the light of the service to be rendered, the equipment to be furnished, and its operating costs.

B. Refunds and Cancellations

1. The institution should have a fair and equitable tuition refund and cancellation policy.

2. The institution should publish its tuition refund and cancellation policy in its catalog or other appropriate literature.

C. Collection Practices

1. Methods used by an institution in requesting or demanding payment should follow sound ethical business practices.

2. If promissory notes or contracts for tuition are sold or discounted to third parties by the institution, enrollees or their financial sponsors should be aware of this action.

IV. Student Recruitment

A. Advertising and Promotional Literature

1. All advertisements and promotional literature used should be truthful and avoid leaving any false, misleading or exaggerated impressions with respect to the school, its personnel, its courses and services, or the occupational opportunities for its graduates.

2. All advertising and promotional literature used should clearly indicate that education, and not employment, is being offered.

3. All advertising and promotional literature should include the correct name of the school. So-called "blind" advertisements are considered misleading and unethical.

B. Field Agents

1. An institution is responsible to its current and prospective students for the representation made by its field representatives (including agencies and other authorized persons or firms soliciting students), and therefore should select each of them with the utmost care, provide them with adequate training, and arrange for proper supervision of their work.

2. It is the responsibility of an institution to conform to the laws and regulations of each of the states in which it operates or solicits students, and in particular to see that each of its field representatives working in any such state is properly licensed or registered as required by the laws of the state.

3. If field representatives are authorized to prepare and/or run advertising, or to use promotional materials, the institution should accept full responsibility for the materials used and should approve any such in advance of their use.

4. When field representatives are authorized to collect money from an applicant for enrollment, they should leave with the applicant a receipt for the money collected and a copy of the enrollment agreement.

5. No field representative should use any title, such as "counselor," "advisor," or "registrar" that tends to indicate that his/her duties and responsibilities are other than they actually are.

6. No field agent should violate orally any of the standards applicable to advertising and promotional material.

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